FEARLESS – FORWARD LOOKING – FORTNIGHTLY

# The MAGAZINE of WALL STREET

Vol. 17 JANUARY 8, 1916 No. 7

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# THE MAGAZINE OF WALL STREET

A FEARLESS, FORWARD-LOOKING, FINANCIAL FORTNIGHTLY

Vol. Seventeen | JANUARY 8, 1916 | No. Seven

# THE OUTLOOK

## *War Orders and Loans—New Financing—Crops, Metals and Trade—The Market Prospect*

JANUARY is known as the "re-investment" month, because it is ushered in by the largest distribution of interest and dividends that occurs at any time during the year. It is a month when the "seasonal" influence on the security markets is favorable.

The influence of re-investment is more than usually favorable this year because of the widespread and general prosperity. Many companies have been able to raise their customary dividends or to make special distributions, mostly as a result of the profitable "war order" business in which so many have participated.

### Amount of the War Orders

OWING to the paucity of official or other definite information, it is impossible to form any very exact estimate of the amount of the war orders placed in this country during 1915, but the total for munitions and war supplies of all kinds cannot be far short of $2,000,000,000. Many of these contracts, of course, call for deliveries well into 1916, some even extending through almost the whole of the present year; hence not all of this class of business can properly be credited to 1915.

As to the profits on war business, these are still less definitely known than the orders. It is generally believed that some companies will be able to clear 25 per cent. net on these orders, but others have been compelled to go to considerable expense to put themselves in a position to handle such orders, so that their profits may be much reduced.

Secrecy has surrounded this war business not only because of the stipulations of the Governments placing the orders, but also owing to the keenness of the competition for the business among domestic manufacturers and their desire to prevent a too rapid rise in the prices of the necessary materials. This secrecy naturally resulted in exaggeration and many irresponsible rumors in regard to the profits to be realized. The frequent subletting of war business also contributed to the circulation of exaggerated reports.

The result was that the stocks of the 25 companies which received the largest war orders advanced to prices averaging about 4½ times their prices of July, 1914. This wild advance has not been fully maintained, but these stocks still average over 3 times their prices of July, 1914.

It is highly probable that in many instances the effects of war order profits have been fully discounted. Further orders will presumably be placed this year, but not on such a scale as in 1915, for the Allies have greatly increased their own capacity for the manufacture of all war supplies.

## New Financing

THERE will probably be no lack of securities, new and old, to fill the re-investment demand. New financing will be on a broader scale in 1916 than for three years past. This is plainly foreshadowed by the gain in new incorporations during the last four months of 1915. Incorporations in the Eastern states, of companies having $1,000,000 or more capitalization, were $820,000,000 in the last four months of 1915, against $277,000,000 in the same months of 1914, and $246,000,000 in 1913.

Business expansion being now well under way in this country, there will without question be plenty of applications for new capital by established companies as well as by new concerns. Our railroads can use almost any amount of capital to advantage if they are permitted to charge rates that will assure a reasonable return on the investment, and in the industrial and public utility fields there is an almost equal opportunity for the use of more capital than is at present employed. We may expect, therefore, that a varied assortment of new securities will soon be competing in the markets with the bonds and stocks that are there already. In fact, the process has already begun.

## War Loans

ASIDE from the unsold part of the $500,000,000 Anglo-French loan, foreign governments are not now competing actively for American capital, for the very good reason that American investors are wary of placing their money in the belligerent countries. The war loans of all the belligerents to the end of 1915 are calculated at $30,537,000,000, of which the Allies have raised about three-fifths and the Central Powers two-fifths. It is not to be wondered at that the American investor hesitates to send his good money after this $30,000,000,000.

In various forms—and including the whole of the Anglo-French loan—we have already furnished Europe $800,000,000 since the beginning of the war, and of this amount only about $35,000,000 was to neutral countries. We have also loaned Latin America $70,000,000 and Canada $150,000,000. To South America, Mexico and Canada we shall doubtless make further advances in 1916, but over Europe it is likely that domestic requirements will take precedence.

The reason why we have such a large supply of liquid capital in America now is that the war has raised a barrier between America and Europe over which our money refuses to flow with any freedom. That condition may be expected to become more and more emphasized as the war eats further and further into the resources of Europe. And there certainly seems to be no good reason why we should aid Europe in financing its own destruction.

## Crops

ALTHOUGH in 1915 we harvested our first billion-bushel wheat crop and our second three billion-bushel corn crop, and the total value of all crops was far in excess of any previous year, nevertheless it does not seem likely that we can expect any decrease in the cost of living to result from such plenty. The European demand for our foodstuffs must continue large and our low money rates make it easy for farmers to borrow for the purpose of holding their grain.

The Government places the total production of corn at 3,054,000,000 bushels, but the condition of the corn at harvest time was very poor throughout the entire northern half of the belt. Out of an estimated crop of 520,000,000 bushels in Iowa, Minnesota, Wisconsin and the Dakotas, less than 200,000,000 bushels is reported as fit to husk, and other northern states suffered likewise. It is believed that our yield of merchantable corn for 1915 was below that of 1913, which was 2,446,000,000 bushels.

The winter wheat crop also suffered from late damage before harvesting.

Winter wheat acreage for 1916 is estimated at 11 per cent. below last year. Condition in December was about average at 87.7, but condition means little at this early date.

## Industrial Conditions

THE condition of general trade throughout the country is more promising than it has been before for years. The iron and steel industry is working at capacity and is sold far ahead, while many concerns are planning additions to their facilities in order to meet the pressing demand. Building operations in most cities and in the prosperous farming regions are rapidly increasing and are more active than for a long time past.

Activity in other lines has brought a large increase of traffic to the railroads. As yet their expenses have not increased very much, and the result is that net earnings have been good. The situation is more hopeful than for several years past.

At the same time it must be remembered that the expenses of the roads will soon begin to show larger increases. It is invariably the case that the cost of operation is slower to change than the gross earnings. When business falls off the roads make a very poor showing for a time because they cannot immediately reduce expenses to correspond with the smaller gross business. The same is true of the reverse situation. When gross earnings increase suddenly, as they have within the last six months, expenses do not at once rise correspondingly, but later they come forward with a rush so that the net earnings of the roads are materially cut down.

The improvement in the lumber business is notable. Mills are generally busy and prices have risen about 33 per cent. Ship builders have contracts covering their full capacity for the next two years and are finding skilled mechanics are almost unobtainable. Labor in general is as fully employed as it ever is and at relatively good wages. The almost complete cessation of immigration has checked the supply of unskilled labor. It is easy to see that labor costs will soon have to rise further, in addition to other costs. This question of costs is the most serious that industry now has to meet.

## The Metals

PRICES of iron continue to rise and nothing is now in sight to change this tendency. Copper is already at record prices since 1907, and must remain high while the war lasts. Other metals are showing corresponding strength.

If we are now to enter upon a genuine constructive period, the demand for the metals will almost certainly exceed our productive capacity. There may be some doubt, however, whether that condition is before us. Business men generally are taking full advantage of present conditions, but are reluctant to lay plans for the future based upon the full continuance of present activities. This feeling may prevent the development of broad constructive policies in the various lines of trade.

## The Prospect

WHILE there is no apparent reason to expect any early decline in prices, it is well to remember that in the stock market it is not only darkest just before dawn, but it is often brightest just before sunset. No bull market ever culminated under other than the rosiest of conditions. That would be a logical impossibility, because it is the rosiest conditions that necessarily make the highest prices.

A great many investors now have excellent profits in their holdings. While it is, of course, entirely possible that prices may reach still higher levels, it seems to us that it is the part of wisdom for those who have good profits to put themselves in a position where an unexpected decline would not cause them any inconvenience.

# Striking England's Balance Sheet

## How the British Empire Is Meeting Its Enormous Indebtedness to America—England's Mobilization of American Securities—Probable Effects Upon Our Markets

By G. C. SELDEN

UNDER THE strain of the world-war England must mobilize not only men but money, not only her industries but all her available capital as well. And it happens that an amount of her capital, variously estimated at from $3,000,000,000 to $5,000,000,000, par value, is still tied up in American stocks and bonds, even after the heavy sales that have been made to us since the war began.

Since the Allies must continue to buy supplies from us so long as the war lasts, providing they can get the money or credit to meet the bill, it has become highly important for England to mobilize these American securities and make them contribute their share toward carrying the heavy burden of the war.

So far Europe has been able to meet the tremendous bill for supplies and munitions bought here by sending us gold in large quantities, by sending us $500,000,000 bonds in exchange for merchandise, by arranging special bank credits and other smaller foreign loans amounting to approximately $300,000,000, and by the voluntary sales of our securities which individuals abroad have made on their own initiative, whether influenced by patriotism or by necessity.

The result is that the account has somehow been balanced well enough to bring the rate of exchange at New York back to about $4.73 after its sensational collapse to $4.50. This is only fifteen cents below par of exchange and does not indicate any very great dislocation—especially when we remember that there exists in England as in the other belligerent countries a certain amount of inflation of the currency. That is to say, a pound in English current funds—meaning, in actual practice, paper money—which is worth $4.73 gold in New York, might in fact be worth something less than the standard of $4.866 in gold at London, if gold were really in free circulation there. Hence the disparity between the value of the pound sterling at London and New York is probably not quite so great as would be indicated by the face value of exchange.

### How It Was Done in 1915

For 1915 Europe managed to get America pretty nearly paid, in one way or another—in gold, securities, bank credits and bonds. Just how it was done cannot be precisely figured out. In fact, it is rather amusing to read the varied efforts of the statisticians to make up the balance sheet between us and Europe. They remind us of the old saying about lies, damned lies, and statistics.

It must be understood that several of the items in such a balance sheet are merely rough estimates. Their chief interest just now lies in the light they shed on the value of the American securities that have so far been sold to us. Certain items, such as our balance of merchandise exports, gold imports, the Anglo-French loan and loans to other foreign countries, are known pretty closely. Some other items, like our payments for ocean freight on imports carried in foreign bottoms, advance payments on war orders, and the amount of foreign private capital that is now being carried in America in the form of bank deposits, can only be guessed at.

The biggest item in Europe's payments to us for 1915 was her sales of our securities. Not all of these securities have been shipped across the water to us. Many of them had previously been held here for European account.

Prominent New York bankers have estimated the total sales of our stocks from Europe since the war began about as follows (par value):

| | |
|---|---|
| Great Britain | $950,000,000 |
| Germany | 300,000,000 |
| France | 150,000,000 |
| Holland | 100,000,000 |
| Switzerland, etc. | 50,000,000 |
| Total | $1,550,000,000 |

Admittedly this is a rough estimate. In fact it is hardly more than a guess.

During December the rate of foreign selling was figured at about $4,000,000 a day, par value. If it averaged about the same throughout 1915, this would mean that something like $1,250,000,000 of our stocks and bonds had been returned to us during the year.

The most thorough investigations, however, have been made by President Loree of the Delaware & Hudson. He found that on July 31, 1915, $2,223,510,000 par value of American railroad securities were held in foreign names, and that this was a decrease of $480,892,000 from January 31, 1915. Bankers estimate that during the same period sales of industrial and municipal securities here for foreign account were about $140,000,000.

Foreign selling since July 31 has been fully as heavy as before that date, if not somewhat heavier. On the basis of President Loree's investigations, therefore, we again arrive at the figure of $1,250,000,000 as approximately the par value of the securities sold back to us during 1915.

President Loree found that the market value of the securities sold to us averaged less than 80 per cent. of the par value. If we apply the same per cent. to the total of all kinds of securities we find that their actual money value was perhaps $1,000,000,000.

Taking such figures as are available, with the best estimates where actual figures cannot be obtained, we may make up the balance sheet of our account with Europe for the year substantially as shown in the table herewith.

This is at least a plausible explanation of the cross-currents of international finance during a very confusing and unprecedented year.

**BALANCE SHEET, AMERICA AND EUROPE, FOR 1915**

| | | | |
|---|---|---|---|
| American securities sold by Europe | $1,000,000,000 | Our excess of exports | $1,800,000,000 |
| Gold imports | 400,000,000 | | |
| Anglo-French bonds (approximate amount realized by Europe) | 460,000,000 | | |
| Bank credits to England and France | 115,000,000 | | |
| Other foreign loans and credits | 175,000,000 | | |
| Interest on securities held abroad, ocean freights, private remittances, etc. | 250,000,000 | | |
| Total | $2,400,000,000 | | |
| Deduct prepayments on war orders, bond proceeds as yet unexpended, and private deposits by foreigners in our banks, perhaps | 600,000,000 | | |
| | $1,800,000,000 | | $1,800,000,000 |

### The Prospect for 1916

It will not be possible for Europe to finance its purchases in 1916 in the same way as in 1915. In the first place, it would be undesirable for England to keep on sending us gold in large amounts. This would deplete the gold stock of the Bank of England and would also help to cause inflation in America, where the gold is not in the least needed. This would be to the disadvantage of Europe because it would result in a still higher level of American prices and it would be of no permanent benefit to us—in fact, it might easily pave the way for a dangerous collapse after the war is over. Hence, the gold item for 1916 should be, if possible, eliminated by some other plan.

Again, it is doubtful whether the belligerents can sell us more bonds. In point of fact, we are having a pretty hard time digesting the $500,000,000 that we have already taken. Unless the military prospects of the Allies undergo a great and sudden change, our investors are likely to be wary of further belligerent securities.

It may be possible to extend the bank credits already arranged, but it will be

difficult for Europe to enlarge them. Those now in existence are, of course, intended to be temporary. About the best that Europe could hope to do in this line would be to renew these credits or keep them alive.

Our annual interest payments abroad, also, are growing constantly smaller as Europe sells our securities back to us. Ocean freights on our imports will perhaps remain as large as in 1915.

As for remittances from private individuals abroad or from foreign banking institutions to be held on deposit here, we know very little about them. With the close control that is now exercised by European governments over all financial institutions, it seems as though it would be difficult for foreign investors or institutions to send any large amounts into hiding in this country.

### Our Exports Increasing

While Europe's means of paying us in 1916 will thus be reduced by an amount of perhaps $1,000,000,000, our exports to her are likely to be much larger than in 1915. Sir George Paish says that our 1916 export balance "may not be far short of $2,500,000,000." It seems entirely possible that it may be still greater than that staggering sum, if the Allies can find means to pay.

Now, it has often been estimated that before the war Europe held about $6,000,000,000 par value of our securities. Some of these, however, have but slight market value.

In President Loree's compilation, the foreign-held stocks were identified by entries in the transfer books; hence stocks held in the names of American bankers, brokers or institutions, but for foreign owners, would not be included. Bonds were identified by the income tax slips, hence those bonds on which interest is not being paid would not be included.

On the basis of his figures, the identifiable stocks and bonds held abroad would be between $3,000,000,000 and $3,500,000,000. It is probable that nearly $2,000,000,000 par value of our securities have been sold by Europe during 1914 and 1915. His figures, therefore, agree fairly well with previous estimates.

By no means all of these securities, of course, can be cajoled away from their European holders. London bankers estimate $2,000,000,000 as the outside figure of probable sales to America. As this is par value, the money value would probably not be over $1,600,000,000.

Since the excess of American exports bids fair to be $2,500,000,000 (if the war continues), and other offsets, aside from sales of securities sold, are not likely to exceed $500,000,000, it is of the highest importance to England that the $1,600,000,000 worth of our securities that is probably available, and as many more as can be found, should be either sold back to America or used as collateral for loans here. Hence the mobilization scheme, which, as one English statesman has said, has no excuse except its absolute necessity.

### Nature of the Mobilization Plan

To get hold of the securities, the British Government offers to buy them at the American market price, paying for them with five-year five per cent. Treasury bills. The Government would then sell them in the American markets, or use them as the basis of a collateral loan, whichever might seem advisable. Englishmen are appealed to on patriotic grounds to make this exchange.

A difficulty, however, has to be met. Large amounts of high-grade American stocks and bonds abroad are tied up in estates and subject to trusteeships in various forms and hence could not readily be sold. Hence the provision was inserted into the bill permitting those who could not or were unwilling to sell, to lend their securities to the Government, receiving one-half of one per cent. additional interest above what they would have received from the securities direct. The owner still has the right to sell at any time while the Government has his securities, and the Government reserves the right to sell on its own initiative, in case of necessity, paying the owner a price 2½ per cent. above the current market at the time.

It is believed in England that the securities will come forward freely under this arrangement. In fact, some English newspapers criticise the plan as too liberal, saying that the Government will

necessarily bull the market on itself and will lose by the operation. It is perfectly clear that the Government will lose; but as Lloyd George has recently said, there is no time to haggle during an earthquake. It is absolutely essential to get hold of the securities.

### Effect on Our Markets

Having absorbed something like $2,000,000,000 worth, par value, of our own stocks and bonds from Europe in the last year and a half without the slightest difficulty, on advancing prices, and with much more investment capital available now than at the beginning of the operation, our markets are by no means paralyzed at the idea of getting another $2,000,000,000. It is America's great opportunity to lift the mortgage and stop the eternal flow of interest and dividends to foreign countries. There is no reason whatever to doubt that we can take care of all the stocks and bonds that Europe will send us.

This will be the easier because the British Government will only sell gradually and at good opportunities. It would otherwise run the risk of destroying its own market. Also, since the object of the whole operation is to stabilize exchange, sales of our securities will naturally be made from time to time as needed for that purpose.

It would not be surprising if English investors were found to be more willing to lend than to sell outright, since American securities are now the world's best investment. In that case the Government will be still less likely to sell them except under the stress of urgent necessity.

On the other hand, it certainly will not help the American market to have this great quantity of securities hanging over it ready to be peddled out on every hard spot. There can be no doubt that such a conditon has held back our railroad stocks and our bond list ever since the war began and it must continue to have the same effect so long as it exists. Our industrials and mining stocks, being less held abroad, have broken away and have furnished all the excitement in our markets.

This step by the British Government removes the last possibility, if there were, one left, of such heavy sales from abroad under the influence of adverse news from the front as would cause a panicky market here. Whatever individual foreign investors might do, the British Government will not lose its head.

What we must reckon on, then, is continued and perhaps greater resistance from abroad to bullish efforts on this side. Sir George Paish has said that he believes America will easily be able to buy back all her foreign-held securities than can be obtained and still have a good deal of accumulating capital left over, some of which he hopes we may invest in foreign loans.

Perhaps—but charity begins at home. This is our chance to clean up our foreign indebtedness or reduce it to a nominal amount. We are likely to do that first. Then our own corporations will need more capital. After that we may consider foreign investments more seriously.

## Real Owners of the Railroads

**RAILROADS and other large corporations are not the adjuncts of any group of bankers. They are not the personal property of the officials. The directors do not own them—directors are the servants, or should be the servants, of stockholders. Are not the real owners of America's railroads, the thousands upon thousands of small investors, virtually the public, entitled to know what is being done with their money? Is it right that two or three gentlemen, sitting as a railroad finance committee or an executive committee, should make financial deals with themselves or with bankers closely allied with a railroad, and deny the owners of the money all information on the subject? To ask the question is to answer it.—*B. C. Forbes in Finance, Business and The Business of Life.***

# Diamond Match's Dilemma

## Germany Has Monopoly of Chlorate of Potassium—Match Famine Likely if War Lasts Long Time—How Company's Stock Must Be Regarded Now—1915 Earnings

**By BARNARD POWERS**

WHEN the "Kaiser and the King shake hands," the officers and stockholders of the Diamond Match Company will deem the occasion one calling for considerable felicitations. Although this concern is engaged in the manufacture of combustibles—matches—its business is essentially of a peaceful nature, notwithstanding misleading reports to the contrary.

Not long ago the stock of the Diamond Match Company awoke, like Rip Van Winkle, from a doze of years and became very active on the upward side of the market. Before the fireworks were over the issue had touched 122. Here is the ingenuous way the matter was argued in certain Wall Street circles:

"The head of a match is composed of combustibles. It ignites, or "explodes," on contact or friction. Hence it is a small bomb—a sort of tiny brother to the "Jack Johnson" and hand grenade. Therefore and thereupon, a company engaged in manufacturing tiny bombs must in some way be profiting hugely from the war where big bombs are the vogue. By the same token the stock of aforesaid company is a buy."

An interesting and ingenious theory and one attesting to the brain fertility of its originator. But unfortunately the conclusion happened to be predicted upon entirely incorrect premises.

### No War Orders

In the first place the Diamond Match Company is in no sense a war order concern. The rumor that it was profiting largely from the war situation is effectively laid to rest by the following statement of the company's president:

"The company has not sold, negotiated for the sale, manufactured or is contemplating the manufacture of explosive chemicals, bombs, hand grenades or any munitions of war. One of the effects that the war has had upon the business of the company has been to compel it to purchase for match manufacture large quantities of ingredients and chemicals at prices greatly in excess of those obtaining under normal conditions and, in some instances, at prices a thousand per cent. in excess of prices obtaining before the war."

Far from benefiting from the war situation the company finds itself in a very serious situation as a result of the war, as suggested in the latter part of President Fairburn's statement.

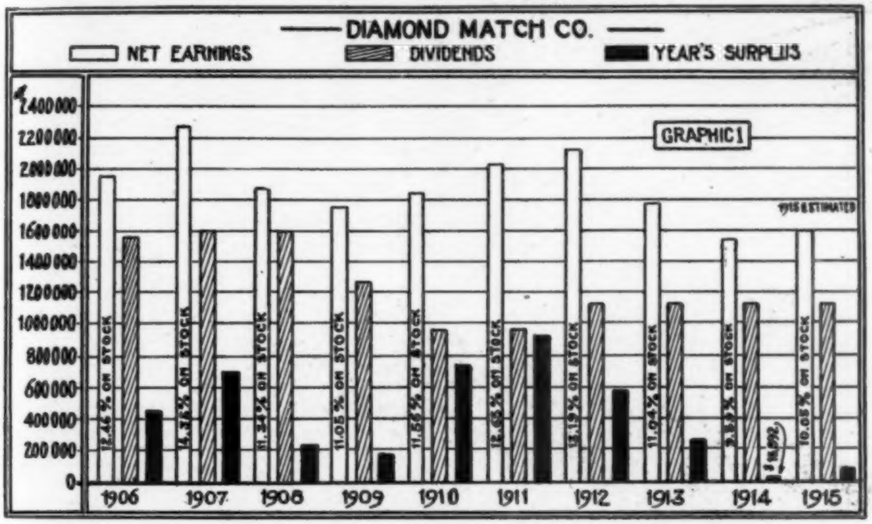
The element chlorate of potassium, is a form of potash—the same mineral which the chemical fertilizer companies use. Almost the only source of supply—at least in any quantity—of this material is Germany. The fertilizer companies can continue to manufacture their finished product with a modicum of the usual amount of potash, but you cannot make a match which will ignite without the proper amount of potassium chlorate, any more than you can manufacture gunpowder without salpetre. The price of this important element in match making has advanced from $35 a ton to approximately $470 a ton, and it is estimated that the available supply in the United States has been reduced to a few thousand tons. It should now be clear why the match makers regard the great war as an undiluted evil.

### Famine in Matches?

The management of the Diamond Match Company as well as the other match making companies, find itself resting—if it is possible to rest—on the horns of a dilemma. If the remaining supply of potash is bought in at present or higher prices, a sudden termination of the war would find the company loaded with a supply of potassium chlorate purchased at ruinously high figures. If, on the other hand, an adequate supply is not obtained and the war should continue,

say two or three years longer, a famine in matches would seem inevitable. On one side is Scylla and on the other Charybdis. It is the endeavor to steer a safe course under such circumstances, which renders the officers of large corporations gray before their time, notwithstanding the popular idea that the life of an industrial magnate is one spent in care-free surrounding of mahogany desks and richly upholstered limousines.

Outside of the distressing situation in regard to raw materials, the company has no cause for complaint. While the December returns are not yet at hand, net earnings for the 1915 year are estimated at about $1,600,000, equal to approximately 10 per cent. on the outstanding stock, which leaves a fairly satisfactory margin above present 7 per cent. dividend rate. A glance at Graphic 1 indicates how the 1915 earnings compare with previous years. Approximately the same amounts as in 1914 will be written off against the year's surplus account, so that the balance to the profit and loss surplus in 1915 should be in the neighborhood of $75,000.




### Present Status

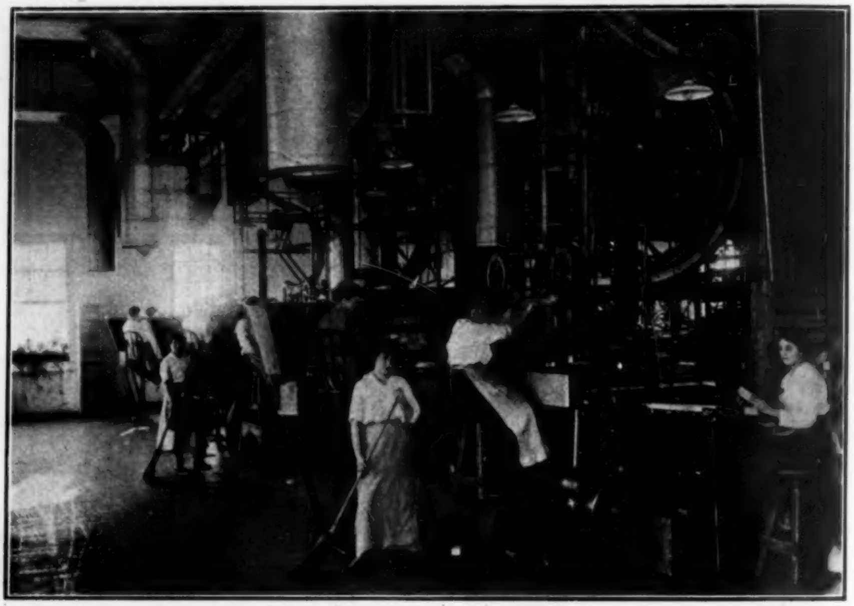
The Diamond Match Company was incorporated in 1889 under the laws of Illinois. There is $16,090,600 stock outstanding, one class, par $100. Of the $2,000,000 10-year 6 per cent. convertible debentures issued in 1910, there were outstanding $1,295,700 at the beginning of 1915. These became redeemable at 102½ on December 15 last, and as they were convertible into stock par for par, practically all were converted before they became available for redemption. While the company has now no bonded debt the conversion of the debentures into stock increases the dividend requirements above former bond interest charges, about $12,250 annually. Had the debentures been presented for payment, the saving to the company would have been equivalent to about 2/10 of 1 per cent. on the stock.

Speaking of this financial house cleaning, former president E. R. Stettinius said to the board of directors when he resigned last September to take up his work with the firm of J. P. Morgan & Co.:

"The authorization of the directors to retire the outstanding balance of its (the company's) debentures, due 1920, marks the completion of the task I laid out when I assumed the presidency of the company in May, 1909. When these debentures shall have been paid, all of the company's funded and deferred obligations of every character will have

been discharged and its liabilities will consist only of accounts payable for current purchases of materials, amounting in the aggregate to a relatively small sum."

The company had a working capital of approximately $7,000,000 at the time of the last annual statement. Its match factories are situated at Oswego, N. Y.; Barberton, Ohio; Oshkosh, Wis., and Chico, Cal. The corporation owns a paper board mill at Southford, Conn., and block and shook factories at Athol, Mass., and Biddeford, Me., and extensive timber lands in New England and California. It is the largest concern in the business in this country and produces and sells approximately 60 per cent. of the United States matches output.



Match Making in Oshkosh, Wis., Plant

### A Steady Earner

Diamond Match is a consistent performer. In bad times as well as good the world must be illuminated, tobacco, which is rated as a masculine necessity, must be smoked and fires lighted. Like the demand for pins, the demand for matches is a very constant quantity and hence the earnings of the company are not subject to extreme fluctuations. Net earnings for the last decade, taking figures actually reported, have averaged about $1,900,000 and during that time the lowest total was $1,542,234 in 1914, and the highest $2,296,076 in 1907. Graphic 1 shows the remarkable stability of the company's earning power. Because of that stability the stock possess in a considerable degree one of the most desirable of investment features. Perhaps that is one of the reasons why approximately 50 per cent. of the stock is held by women, estates and charitable institutions.

### Dividends

Diamond Match since incorporation has been a generous dividend payer. From 1889 to 1892 it disbursed 10 per cent. annually and in 1893 paid an extra dividend of 10 per cent. in addition to the regular 10 per cent. In 1895 an extra dividend of 11 1/9 per cent. was paid and the stock remained on a 10 per cent. basis until 1909 when the rate was reduced to 8 per cent. The following year

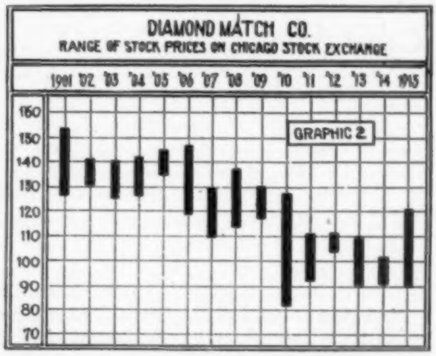
and in 1911 only 6 per cent. was declared which has been the regular rate since then to date, but in March of each of the last four year including 1915 an extra dividend of 1 per cent. was declared.

It is the present intention of the management to continue the present 6 per cent. dividend rate with the usual 1 per cent. extra in March from 1915 earnings, as customary the last few years.

**Investment Position of the Stock**

Under ordinary circumstances the stock is cheap at under 115 a share and would be a most desirable investment in view of the steadiness of the company's earnings. In the decade from 1905 to 1914, inclusive, the corporation earned $19,037,143 net, or an average of $1,903,-714, equivalent to an average of about 12 per cent. on the outstanding stock. That the dividend disbursements during that period averaged 8.1 per cent. is evidence of the upbuilding policy which the management has followed.

The unprecedented situation in regard to potassium chlorate, however, requires that the stock of this company be regarded in an entirely new light for the present. If the war continues for many months longer it appears extremely probable that the earnings of the Diamond Match Company and other match companies, will be seriously affected because of a shortage in raw material supplies.




The buyer of the stock at the present time, therefore, is speculating upon two possible solutions of the company's problem. They are (1) That the war will end shortly, (2) That a substitute will be found or a process invented for the manufacture of potassium chlorate in commercial quantities.

At this writing both of these eventualities seem about equally remote from realization.

# BUYING CHEAP

**NO better summing up of the whole theory of investment and speculation can be found than the oft-repeated Rothschild maxim, "Buy cheap and sell dear."**

**Simple as it sounds, this theory is not always easy to follow. A mining stock, for instance, may be cheap at $100 a share and ten years later dear at $50 a share. The same thing may be true of a railroad, an industrial or a public utility. Ore reserves may "peter out" as in the case of Federal Mining & Smelting, war may cut off an indispensable source of raw materials as in the case of Diamond Match or hostile state governments may apply the strangle-hold of taxation as in the case of many of the railroads.**

**The investor who goes asleep on his investment is like the watchman who dozes in a factory or a sentinel who nods while on duty.**

**Nothing is permanent, nothing absolutely certain and secure.**

**Constant study, constant vigilance teaches one to know when a security may be bought cheaply and when it is the time to sell because it is dear. There is no other way.**

# War Inflation and Stocks

## Great Wars and Their Effects on Securities' Values—Has the Bull Movement in Stocks Spent Its Force?

By PRESTON STEWART KRECKER

**[In our issue of Dec. 25, Mr. Krecker showed what wars have meant to the great commodities of wheat and cotton. The present article shows the effect of great wars on stock prices.—The Editor.]**

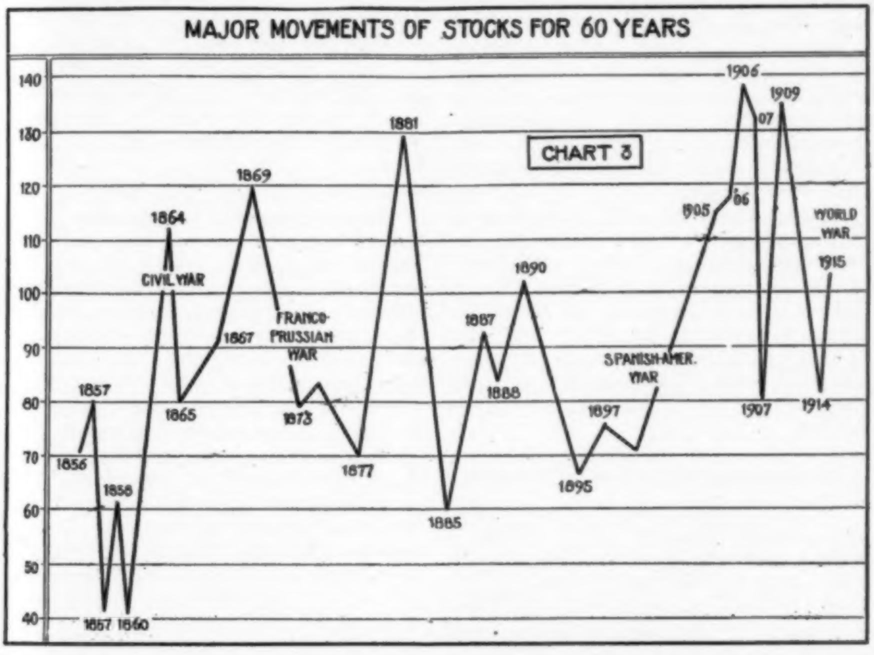
(Part 2)

OWING to the absence of sufficient data the chart of stocks does not cover as long a period as those of cotton and wheat. It starts with the year 1856, records for earlier years being unobtainable, and therefore only covers one of the two great war periods of the last century. The fluctuations shown from 1856 to 1900 inclusive, represent the average of four representative rails, New York Central, Reading, Michigan Central and Illinois Central. From 1901 to date the chart is based on the average of the Wall Street Journal's 20 rails. It might be said in passing that the earlier period covered was one of the infancy of great railroad systems. This is amusingly proved by the refusal of the school board of Lancaster, Ohio, to permit the use of the schoolhouse in 1828 for a debate on the question whether railroads were practical or not! An old document of the time reading: "You are welcome to use the schoolhouse to debate all proper questions in, but such things as railroads and telegraphs are impossibilities and rank infidelity. There is nothing in the word of God about them. If God had designed that his intelligent creatures should travel at the frightful speed of 15 miles an hour, by steam, He would have clearly foretold it through His holy prophets. It is a device of Satan to lead immortal souls down to Hell."

### Effect of Civil War on Stocks

Starting with 1856 we note an upward trend from an average price of 72.6 in January which continued with minor fluctuations until January, 1857, when the top of the movement was reached at 79.0. Followed an almost perpendicular decline which did not culminate until October, 1857, when the average was but 41.2. Recovery to 61.3 in 1858 was followed by renewed weakness when values were discounting the now inevitable Civil War. It is interesting to note that the market's break culminated in February, 1860, *a year before hostilities actually began* and that the low of 40.5 then touched has never been duplicated since. The stock market, as ever, immediately anticipated the worst. No important recovery is noted until 1862, when, starting at 46.8 in January, by successive stages the average rose steadily until it culminated in July, 1864, in an average price of 112.1. During the reaction which followed the average dropped to 82.0 in March, 1865, and touched the slightly lower level of 80.5 in 1866, when an upward movement began which carried the average up steadily through 1867 and 1868 and did not culminate until July, 1869, when what proved to be the highest prices in 20 years were established with an average of 119.6. As already noted these were years of extraordinarily high values for both wheat and cotton. As in the case of those commodities, the bubble burst in that year of universally high prices and a series of reactions set in which culminated in the great depression of 1873, when the average of stock values dropped to 77.6 in May. No important recovery is noted until 1877, following the Russo-Turkish war. Starting in June of that year at the low average of 70.3, prices rose almost without interruptions until June, 1881, culminating in the high level of 127.6. This advance marked, it may be inferred, complete recovery from the panic period of 1873.

The inevitable reaction which followed, continued four years, the virtually perpendicular decline not terminating until June, 1885, when the low of 61.2 established. This, it should be observed, also was the lowest average of values since 1862. Then began a recovery which lasted two years, culminating in May, 1887, in an average price of 92.5. Reaction to culminate until 1906, when the highest average price in 70 years of the chart record was touched—137.7, in September. Real reaction did not begin until 1907, the panic year, when, starting at the high average of 131.0 in January, the market had a perpendicular drop to 81.5 in the following November. Since then high average has been 134.2, reached in August, 1909, and low




85.3 in March, 1888, was succeeded by a renewed advance to the still higher level of 101.3 reached in May, 1890. Five years of declining movements carried the average down to 66.7 in 1895 and 65.5 in February, 1896. This was followed by a rise to 75.6 in September, 1897.

### Spanish-American Conflict

The Spanish-American war found due reflection in the stock market, the average declining to 71.4 in 1898. The period of prosperity which the country enjoyed subsequent to that war was mirrored in a rising stock market. After various halts the advance started in earnest in May, 1905, and did not was touched last fall when in October, 1914, 81.8 represented the average value of 20 standard rails. The current year has witnessed a recovery to 108.28, the high average so far, which was touched on November 4, 1915.

### The Lesson of War Results on Prices

Summarizing the record of the charts, they may be said to show: First, that war invariably leads to inflation of values of both commodities and stocks. Commodities take the lead in this inflation which is attended by great speculative activity and is accurately measured by the price movements of these, particularly wheat.

### When the Top Is Reached

Second, in the case of protracted wars the zenith of inflation and speculation is not reached until long after the cessation of hostilities, as in the case of the Napoleonic and Civil Wars. This cumulative force of inflation is only explainable on the theory of complete exhaustion and depletion due to the prolongation of the struggle and the consequent delay in economic rehabilitation.

Third, each great war of the past century has brought about equal degrees of inflation, as measured by wheat, viz., the $3.00 a bushel of the Revolutionary period, the $2.85 of the Napoleonic period and the $2.85 of the Civil War period.

Fourth, the aftermath of every war of importance during the last century has been deflation of values which was almost as violent as had been the inflation that preceded it. Witness the break in wheat after the Napoleonic War from $2.85 to 58 cents a bushel and the similarly violent decline after the Civil War from $2.85 to 50 cents a bushel.

### No Precedent for Present Situation

Before applying these deductions to the existing situation let us survey it a little more closely. No war has ever been waged with such intensity and such economic destruction as the present war. It has been estimated that a greater number of shells is fired in a single engagement than would have been required for an entire campaign of any of the wars that preceded it. Statistics show that 75% of the inhabitants of Europe are living within the war zone. Five out of every six acres of land is belligerent soil. The bill of expenses foots up to upward of $50,000,000 a day. The zone of warfare and the numbers of those under arms is growing instead of diminishing as time elapses. Talk of a near peace is disproved by the facts as we know them. Lord Kitchener recently declared that England will have 4,000,000 men under arms by next March and will be prepared to equip also 6,000,000 Russians for the field by that time. It is estimated that next spring will find 25,000,000 men in the trenches of Europe and that one out of every three of these will be a tiller of the soil. Indications then are for a protracted struggle to be attended by unheard of waste and ecenomic exhaustion and loss of life.

"Imagination," wrote Disraeli nearly a century ago, "governs mankind." Thomas Carlyle expressed the same thought in language more applicable to the subject under consideration when he said that no merchant could hope to succeed without possessing the power of imagination.

### Are Prices High Enough?

Endeavoring to visualize the future in the light of the past and the present, we might infer that, high as prices of stocks and commodities have soared in the recent past, inflation of values has not reached its zenith yet in either the stock, the commodity, or the money markets of the world, and that the present period of reaction will be followed, in all probability, by a renewed and more violent advance than has yet been witnessed. This period of inflation, in the event of the war being prolonged, may be expected to continue with cumulative force after the conclusion of peace, the heights to which it soars being dependent upon the degree of exhaustion the war causes. Perhaps it would be fair to infer that commodity prices will yet duplicate if not exceed the heights reached after the Napoleonic and Civil Wars. The idea does not sound extravagant when it is considered that present strife already involves five-sixths of all the land of Europe and three-quarters of its entire population, while Asia, Africa and North America are directly involved in the struggle.

### The Aftermath

Finally the conclusion would appear inevitable that there will be a bitter aftermath to this era of speculation, when deflation and depression may be expected.

# Prosperity for the Railroads in Sight?

## Favorable Factors in the Situation

By CHAS. H. JONES

THAT THE country has passed through the dark period in American railroad affairs and the dawn of a new era for holders of railroad securities is approaching is the belief of many students of the railroad situation.

This belief is based on the following facts:

First: The public is tired of "railroad baiting." It has had its pocketbook flattened out considerably in the last five years by shrinkages due to legislation that added to the cost of railroad service without improving that service. Politicians are keen to sense a change of feeling among their constituency and to anticipate it. Consequently, in Congress and in State legislatures we are witnessing today constructive policies toward the carriers by the men who were framers of some of the laws from which these carriers have been suffering.

Second: The return for railroad service is steadily rising. The past year has brought revolutionary events in railroad rate history. Twice the Interstate Commerce Commission has permitted two great groups of carriers to increase their tariffs after granting, late in 1914, an addition to roads in the Trunk Line territory amounting to $35,000,000. It is a conservative estimate that the advances allowed by this body in the last twelve months will reach $50,000,000, representing interest at 5 per cent on $1,000,000,000, or the sum supposed to be necessary for railroad improvements, betterments and additions each year. Further than this state railroad commissions have been more lenient and appreciative of the difficulties of railroad management. On its own initiative the Missouri Public Utilities Commission raised rates at an average of 3 per cent on freight, and permitted the roads in Missouri to increase passenger fares. One of the great troubles with the Interstate Commerce Commission has been its overworked conditions. This has led to much superficial investigation of important questions and rather loose judgment. I believe that the work of this regulating body will be so arranged that it can hereafter give a specialist's opinion and one that need not later be overruled by public sentiment. Probably the commission will have a geographical distribution similar to that of the Federal Reserve Bank members.

Third: In all of the reorganizations effected and pending lately, strong efforts have been made to avoid the mistakes of former companies. One of these was to carry too high an interest charge per mile in proportion to gross and net earnings per mile. The new capitalization of the Kansas City, Mexico and Orient, for instance, eliminates this error. Not only has this been done, but various contracts, leases, etc., which had been sapping the strength of the company have been annulled. It will stand, therefore, today on a firmer basis than ever with a period of rising prosperity in which all railroads must share.

**INVESTING is a serious business. Every business responds to the time, labor and thought expended upon it. The business of investment is no exception.**

# MONEY - BANKING - BUSINESS

## What Thinking Men Are Saying

**About Financial, Investment and Business Conditions**

### "U. S. Should Co-operate With Sister Republics"—Straight.

SPEAKING to the Second Pan-American Scientific Congress at Washington, on "The Relation of Public Finance to Private Credit," Willard D. Straight laid great emphasis on the need of financial co-operation between this country and our neighbor republics to the south.

"The European war," said Mr. Straight, "has given to the American republics a new bond of mutual dependence. Politically we are closer than ever before. In our mutual necessity there is need, and at the same time an opportunity for much more intimate commercial and financial co-operation. You require capital while we in turn must try to stimulate the exchange of products between this country and our sister republics to the South.

"In order that we may sell our goods to you we must enable you to produce more which we in turn can purchase. Such a relationship can be established if those who would secure financial assistance offer conditions which will attract our investment, and if we in turn are willing to grant the credits which will enable you to purchase in this country the articles which you require.

"Both lender and borrower must mobilize private credit, the borrower in order that he may borrow advantageously for the development of his resources; the lender in order that he may lend intelligently for the extension of his national trade."

* * *

### Railroad Securities Held Abroad.

SUPPLEMENTING the statement issued by him in June, says *The Financial Chronicle,* F. L. Loree, president of the Delaware & Hudson Co., has revised the data concerning the holdings of railroad securities abroad, from which it would appear that nearly $500,000,000 of foreign railroad holdings have been returned to this country since the issuance of his earlier statement.

The latest table showing the various classes of securities held abroad is as follows:

SECURITIES HELD ABROAD.

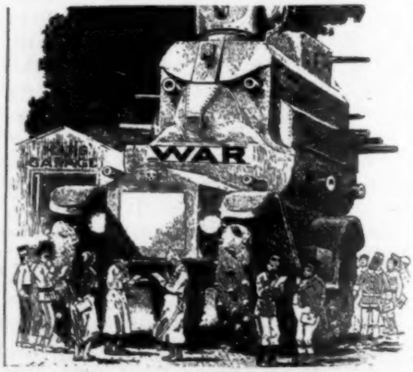
| Class of Security— | Par Value. | Market Value. |
|---|---|---|
| Stock—Preferred. | $236,151,600 00 | $196,092,423 26 |
| Stock — Second preferred .... | 5,608,850 00 | 2,115,414 75 |
| Stock—Common.. | 438,415,606 25 | 263,996,928 50 |
| Notes .......... | 24,632,291 93 | 22,574,283 93 |
| Debenture bonds. | 160,288,700 00 | 141,444,592 50 |
| Collateral trust bonds ........ | 180,590,850 00 | 136,422,185 75 |
| Mortgage bonds.. | 1,150,339,130 00 | 962,081,613 26 |
| Equipment trust bonds ........ | 25,253,201 00 | 24,480,410 55 |
| Car trusts ...... | 29,000 00 | 29,060 00 |
| Receivers' certificates ........ | 2,201,000 00 | 2,201,000 00 |
| Total ........ | $2,223,510,229 18 | $1,751,437,912 50 |
| Less than previously reported. | $480,892,135 01 | |
| Note.—Amount of securities reported on statement of June 22, 1915, now corrected by later reports of carriers ...... | $2,704,402,364 19 | |

As pointed out, Mr. Loree's statistics deal only with foreign-held railroad securities.

* * *

### Munitions and Stock Market Profits.

AS a matter of fact, the most astonishing part of the whole war-munitions business—and the most paradoxical—is that *the additional values put on stocks and bonds, general values and personal*




THAT'S WHAT THEY ALL SAY.

General European Chorus: "It isn't the first cost of a car; it's the upkeep that counts."—*Puck.*

*fortunes since war orders began to pour in have amounted to about five times the total amount of the war orders.* This may seem almost impossible, yet the wide effect of war orders on stocks is not appreciated generally. Take the oil stocks, for instance, which few people have noticed. It is a fact that something like $150,000,000 in extra value has been added to oil stocks within recent months.

What has happened to automobiles stocks as a result of prosperity's stimulus to auto purchasing, is considerably more remarkable. Following are the gains in points of the automobile stocks listed on the Stock Exchange in the past year:

| | |
|---|---|
| Willys-Overland | 181 |
| Studebaker | 161 |
| Maxwell | 77 |
| General Motors | 367 |
| Total points gained | 786 |

Such gains in stocks mean in reality gains in the personal fortunes of, first the underwriters who were foresighted enough to guarantee the flotation of stock and bond issues, and, second, the men on the inside of corporations which either had war orders, or were indirectly affected by them, or by general improved prosperity.—From "America's Business Boom," by J. George Frederick, in the *American Review of Reviews.*

* * *

### "Unify Railroads, Waterways and Highways"—L. W. Page.

"IF our waterways are to be utilized to the greatest possible extent, they must be so connected with both the railroads and highways that the whole will form a consistent working unit," says Logan Waller Page, director of the United States Office of Public Roads and Rural Engineering and vice-president of the American Highways Association, in a very practical address to the National Rivers and Harbors Congress at its recent session in Washington. Each is necessary to the other, and all are necessary to the industrial and commercial prosperity of the country. "The real value of any waterway must come from the development of its non-adjacent traffic." The three methods of transportation—railways, waterways, and highways—are tied together, and the largest success and efficiency of all are dependent upon the improvement of all.

GET OFF MY COAT-TAILS AND STAY OFF.
*—Hanny in the St. Joseph (Mo.) News-Press.*

* * *

### 1915 Record Year for Mines.

THE midyear review of mining conditions reported to the Secretary of the Interior on July 1 by the Director of the United States Geological Survey is well supported by the preliminary reports for the year.

A review of these statements confirms Secretary Lane's comment of last July to the effect that the mining revival is in full swing. It is not unreasonable to expect that when the full returns for all mineral products are compiled they will show that 1915 was the country's most productive year in the mining industry. The total may even reach two and one-half billion dollars.

* * *

### Pig Iron Soars in Poetry.

EVEN staid business houses tire of monotonous prose, and when business is booming there is additional incentive to burst into verse. Herewith is a sample of the way the poet of Roger,

Brown & Co., Cincinnati, touches his lyre anent the improved conditions in the iron and steel industry:

A shortage has not yet appeared,
Tho stocks are fast decreasing.
Consumption is on the upward path,
Production's not increasing.
From which it's quite plain to note
A fact which needs no stating,
A pinch there'll be, when all will see
Old Pig Iron aviating.

* * *

### Where New Merchant Marine May Arise.

THE New York Chamber of Commerce has just completed a thorough investigation of the shipbuilding industry in this country.

The chamber has reached the conclusion that should conditions warrant it most of the shipyards of the country could increase their tonnage from 15 to 60 per cent.

The report gives the following table:

| | Vessels Built. | Gross Tons. | Number Over 1,000 Tons. |
|---|---|---|---|
| 1915 | 1,157 | 225,122 | 23 |
| 1914 | 1,151 | 316,250 | 46 |
| 1913 | 1,475 | 346,155 | 61 |
| 1912 | 1,505 | 232,669 | 38 |
| 1911 | 1,421 | 290,828 | 46 |
| 1910 | 1,361 | 343,068 | 53 |
| 1909 | 1,247 | 238,090 | 31 |
| 1908 | 1,457 | 614,216 | 94 |
| 1907 | 1,157 | 471,332 | 74 |
| 1906 | 1,221 | 418,745 | 58 |

This shows that 1915 falls far below any other year in the past decade in the number of vessels of 1,000 tons or more and in gross tonnage, although six more vessels of all sizes were being built in 1915 than in 1914. The number in 1915 was the same as in 1907, when tonnage was far greater.

* * *

### No Right to Bar Munitions Shipments.

THAT the Federal authorities have no legal power or right to lay an embargo upon the shipment of munitions of war by American citizens is the gist of a contribution to *The Outlook* by H. B. Corey. As Mr. Corey is a member of the New York Bar, his words carry more than a layman's weight on this matter.

Such embargo is a war measure, to be resorted to only when the United States is either engaged in war, or about to be engaged in war, or has reasonable ground to believe that it is likely to be engaged in war with another nation. In that case the United States, through its Congress and Executive, may, in its own discretion, issue an embargo upon the shipment of munitions of war, or other article of commerce, to that nation. The only authority for such an embargo is found in the Constitutional provision which gives Congress the right to declare war. It is an incident solely of the war power. There is no provision whatever in the Constitution which gives the Federal Government the right to lay an embargo except as a mere incident of this war power.

* * *

### "Economic Pressure at End of War"—Sir George Paish.

"THE war has involved practically no destruction of accumulated wealth," says Sir George Paish. "Our loss is mainly in the wealth we fail to create. Speaking broadly, we are making shells, not building houses; building warships, not making railways. Our main loss arises from failure to make reproductive expenditure, and this loss is about £400,000,000 per annum.

"It is true that we are selling American securities, but we are buying Russian, French and Italian bonds, and on the balance there has been little reduction in our investment since beginning of the war. If each of us were to live economically during the war, we may not need to meet our great war expenses by realizing on our capital, although, of course, we shall fail to save during the


WHEN THE WAR IS OVER THE TIDE WILL RISE.
—*The Inquirer (Philadelphia).*

war the usual £400,000,000 yearly of our income that we use for reproductive purposes — building houses, railways, ships, factories, etc.

"As a whole, the world will not in the period of the war save much, and consequently there will be very little expansion in production

"Temporarily there will be economic pressure of considerable severity at the end of the war. That pressure will be caused mainly by readjustment of conditions from war to peace. No doubt the wealth of the country will grow as rapidly after the war as it did before the war."

* * *

### Basking in Sunshine of Prosperity.

AT last we bask in the sunshine of prosperity. It is difficult to recall our state of mind of a year ago, when the arctic night of hard times seemed impenetrable to hope. Then shop after shop was closing its doors, each dragging another after it. The army of the unemployed was growing apace; even the more solid establishments were going on half time; wages reduction was common in non-unionized trades, and even in some of the strongly organized industries the men voted heavily in favor of accepting wages cuts. To-day what a difference. From every part of the country come reports of increasing activity. The iron and steel industries are working overtime; railway construction is beginning to revive; the terminals are clogged with goods profitably moving; building operations are proceeding with assurance, and the industries supplying construction materials are feeling the breath of life. The cry now is of shortage of labor. Wages are rising, and full time and overtime lay practical emphasis upon the fact. Everybody is making money, and everybody is feeling much younger than a year ago.—*The New Republic.*

* * *

### Improving Outlook for Bonds—Adams.

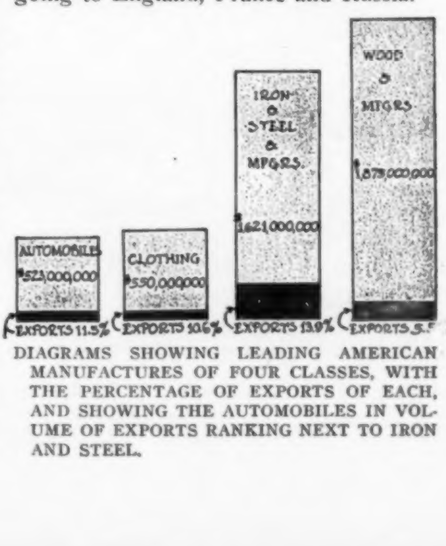
CONSENSUS of factors making towards prosperity means a better demand for domestic bonds, writes "Adams" in *The Boston News Bureau.* Adams is a keen judge of fundamental conditions and while his interest is usually in the speculative aspect of securities, at the same time he is a careful watcher of investment factors. He says in part:

> Indications are for renewal of activity and strength in domestic bonds and they consist of the tremendous plethora of cash, the restoration of railroad credit to something like a normal basis, and the genuine and lasting revival in the nation's business. There is no more legitimate bull argument on stocks than activity and rising prices in bonds. According to the horoscope of some bankers, the better tendencies indicated in the bond department will not be long in extending to the stock market, which of late has been backing and filling, owing to uncertainties that have little bearing on values or those forces which make for prosperity throughout the country. It is impressive, however, that in spite of such drawbacks and constant efforts to bring about liquidation and a break, the significant price changes recently have nearly all been upward.

* * *

### Sales of American Automobiles Abroad.

OFFICIAL returns show that, in the last fiscal year, American manufacturers doubled their automobile sales in foreign countries, says *The Literary Digest.* The figures are $74,000,000 in value of exports as against $38,000,000 in 1914. The most pronounced gains were made in commercial vehicles, and these gains were made in the second half of the fiscal year, that is, in the first six months of 1915. All parts of the world took American trucks, the largest share going to England, France and Russia.




DIAGRAMS SHOWING LEADING AMERICAN MANUFACTURES OF FOUR CLASSES, WITH THE PERCENTAGE OF EXPORTS OF EACH, AND SHOWING THE AUTOMOBILES IN VOLUME OF EXPORTS RANKING NEXT TO IRON AND STEEL.

## Among the Bankers and Brokers.

**E. & C. Randolph.**—While the railroad stocks were not active they showed a tendency to improve in response to the excellent earnings now being shown by the roads all over the country. The statements of the New York Central and Pennsylvania will be published within a few days and there will be large gains in both gross and net.

**Keane, Zayas & Potts.**—Technically as well as fundamentally, therefore, the stock market is in a strong position. Actual prosperity, with mills and factories and foundries and mines are being worked to capacity and labor everywhere profitably employed, with a farm and ranch outturn of more than ten billions of dollars in new wealth converted into cash that is being distributed in every part of the Union, and with new markets opening up to the south of us that give assurance of a further great extension of our trade activities—these are the factors which contribute strength to the prices quoted for American securities by guaranteeing a continuance of good and even of better earnings for the corporations represented by those securities.

**Laidlaw & Co.**—Routine news bearing upon business and industry at large is favorable, with the railroads beginning to figure prominently in the country's prosperity. The significance of this fact has not been widely appreciated, but it constitutes, perhaps, the most pleasant augury for the new year from the standpoint of the market.

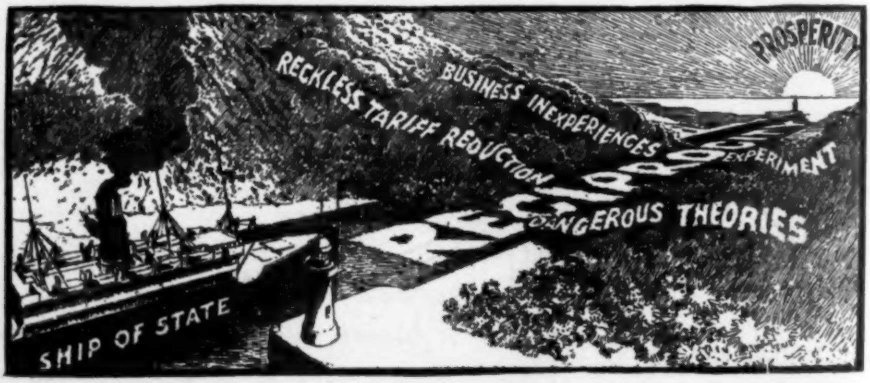
**Richardson, Hill & Co.**—It seems probable that the disbursement of $350,000,000 in dividends and interest in January will more or on war orders. When the war is over there less effectively absorb a large percentage of the floating supply of good securities and pave the way for a realignment of the more speculative issues. Copper shares, however, might very easily reflect more logically the phenomenal prosperity of the mines without waiting for the general market to acquire new impetus.

**Wilson & Chardon.**—We feel inclined to the opinion that industrial stocks which had their boom will take a rest and that the next activity in the stock market will develop in railroad bonds and railroad stocks.—Markets which are before us may not bring such dazzling opportunities as were presented by certain industrial stocks during the last six months, but we are likely to have markets of more substantial character; markets where financial institutions and brokers need not be in continual fear of sudden collapse; markets in which the public will participate, and where opportunities for investment and speculation in safe securities will be presented such as we have not seen for many years.

**A. A. Housman & Co.**—If you were to take yourself away from the environment of Wall Street for a day or two you would get a realization of what the manufacturing of war munitions really means. You would learn what an asset the war is to many of our industrial enterprises and that the prosperity it has brought is by no means of the fly-by-night kind.

Industrial concerns have made additions to their plants, the cost of which is figured in the cost of the manufacture of their output still will be the organizations to turn out numerous other things beside war munitions, and the enormous profits will remain.

December has always been a bad month for speculation, but we should bear in mind that formerly our country never occupied such a financial position, and unless all signs of the times fail, 1916 should be a year of activity and prosperity.




ANOTHER BLOCKADE.
—*New York American.*

# Money and Exchange

## Growth of Deposits, Loans and Reserves—Rise in Exchange

WITHIN the past year the deposits of New York Clearinghouse institutions have increased about 65 per cent. Such an increase is absolutely unparalleled in the history of the country. The gain in loans was about 46 per cent., in total reserves 56 per cent., and in surplus reserves 35 per cent. It is worth while to consider the causes of these tremendous increases.

It cannot be said that the new Federal Reserve system is the cause of the increase. It has merely permitted such an increase. Under the old banking system we should probably have run up against the obstacle of "tight money" before deposits reached their present astonishing total. The reduction of reserve requirements under the new law has made the big gains possible, but has not caused them.

One cause is that a year ago we were still under the shadow of the war panic, so that all banking figures were somewhat below normal. For example, the total reserves of the Clearinghouse early in January, 1915, were only a little over $600,000,000, against $760,000,000 the previous June, before the war began. In a single year we have jumped from a condition of depression to one of prosperity and this has naturally brought a great change in our bank figures.

A still more important reason, however, is found in the placing of foreign loans in this market. During 1915 we loaned to foreign nations altogether over $1,000,000,000. The natural result has been a big increase in the loan account of the banks and rising loans have carried deposits up with them—the custom of the banks being to credit the deposit side of a customer's account with the amount loaned to him.

There has also been some increase in loans for the purpose of permitting expansion of domestic business, but this has been a much smaller factor in the situation than the foreign loans.

Neither of these last two reasons accounts for the much greater increase in deposits than in loans nor for the great gain in total reserves. The importing of $400,000,000 in gold has been a very important item in this connection. Such an inflow of the yellow metal has naturally enlarged money reserves and since these are a part of deposits a corresponding increase has been shown.

Another cause of the greater relative increase in deposits as compared with loans has been the growth of prosperity among business men. The war order business especially is yielding large profits—larger, without doubt, than the average of profits on ordinary domestic business. Other lines of business have gradually felt the stimulating effect of the war business with greater activity.

Our big sales of agricultural products have been another element in swelling deposits. The farmers put their money into their local banks and a part of it drifts to New York. They have been slow in spending their crop returns because of timidity about war conditions, but this caution is gradually wearing off.

The combined result of these several factors has been a big accumulation in liquid capital in New York banks, and this has, of course, helped to stimulate investment and speculation. The result of this stimulation, in addition to the increasing needs of general business as it becomes more active, has been some decrease in the supply of liquid capital since September. In that month the high point of reserves was reached at $217,000,000 and the decline since then has been about 40 per cent. However, both surplus reserves and the excess of deposits over loans are still very large.

It is to be borne in mind that, although the "par of exchange" is about $4.87, the gold import point is now very much lower than that figure because of the high rates for carriage and insurance. The point at which gold imports are now profitable is calculated by the City Bank at about $4.765. It is quite possible, therefore, that gold imports may be checked in the early future, but if the war continues, this check will prove merely temporary.

# BONDS

## The War Loans

### Totals Raised by the Great Powers for War Purposes—Degrees of Success Attained—England and Germany

**By SIEGFRIED STRAUSS**

ALTHOUGH the great war is being fought by eleven countries of Europe, from a financial point of view only the six great powers count.

The most important barometers for the financial standing of the European belligerents, however, are the *war loans.* The only big war loan, floated abroad, is the Anglo French loan of 500 million dollars. Although this loan was successfully underwritten by the American syndicate, it was not a pronounced success, which is perhaps due to the fact that the American public is not accustomed to invest in foreign securities.

**The War Loans**

The accompanying statistics show the total warrants issued by the six great European powers.

Turkey received 250 million dollars from Germany, and Bulgaria is being financed by German banks. Belgium, Servia and Montenegro received financial aid from England and France.

These figures, as far as Russia, Austria and Italy are concerned, are not quite complete, as it is very difficult, to get absolutely reliable information about the financial operations of these countries. The figures, however, show clearly, that the three countries mentioned, are financially very weak, and absolutely dependent upon the resources of their stronger allies.

Italy's war loans up to the present are comparatively small; she will float a big 5 per cent. war loan during the coming month at 97½, but its success is somewhat doubtful, even if England and France should subscribe liberally.

Russia's interior loans have all been failures, and had to be taken by the banks. Although the State bank of Russia holds a large amount of treasury bills, the majority of these treasury bills are held in England and France. The economic and industrial conditions of Russia made it a foregone conclusion that this country would not be able to finance its financial needs in a satisfactory way. As a matter of fact, a majority of Russia's huge pre-war debt, was held in France, Germany, and England.

Austria-Hungary, like Russia, although not to the same extent, always looked to foreign countries for placing her national obligations. It is a fair estimate that 25% of the total of her war loans have been subscribed for by Germany, Holland, Switzerland and by Austro-Hungarians in the U. S. A. Austria's war debts carry 5½%, Hungary's 6% interest, and considering the rate of exchange for Austrian money in neutral countries, bring an extraordinary high return to neutral investors.

France, the banker of the world, for fully sixteen months of war, was unable to float a big war loan, and had to finance her needs by selling short term obligations and by borrowing from her national bank, the Bank of France. Of course, one must not forget that France's richest provinces have been in the enemies' possession since September, 1914, that France had to declare a moratorium, which after 17 months of war, had to be further extended. In December, 1915, France brought out her first war loan, which yielded 2,900 million dollars, just a

little less than England's second or Germany's third war loan. *The 5% French war loan was issued at 88%, compared with 99 for the 5% German war loan and 100 for the 4½% British war loan.*

### German Loans

Germany has shown to the world during the last 17 months that she is second to none, not even England, as a financial power, and in actual figures she has been even more successful than England. Germany raised 6,400 million dollars through three long-term loans, which do not need any refunding.

England, during the same time, succeeded in raising little more than half of that amount in long-term loans. Her two war loans totalled 4,700 million dollars, but a large part of her second war loan was raised by tendering scrip for the first war loan and British Consols, a procedure which did not give any new funds to the government, and in fact was but a conversion.

A fact which was of quite some help to England and also to Germany, was the large amount of American securities, which both countries owned. *It is true that it is very hard to induce European holders of American securities to part with their best and most desirable investments.* But the additional profit which the European seller of American securities made on account of the high rate for dollar exchange as well as the appeal to his patriotism, brought 1500 million dollars of American securities back from Europe. More than 60 per cent. of these sales are credited to English investors, and 20 per cent. to German investors.

The nations of Europe not only willingly sacrifice their lives in this terrible struggle, but they also put their wealth at the disposition of their governments to secure a victorious peace. *England and Germany are a shining example of not only physical courage but the financial power of strong nations.*

## War Loans

**ENGLAND**

| | |
|---|---|
| Treasury bills | $1,450 million |
| 3½% war loan | 1,750 million |
| 4½% war loan | 3,000 million |
| 5% Anglo-French loan | 250 million |
| Total | $6,450 million |

**GERMANY**

| | |
|---|---|
| First war loan | $1,115 million |
| Second war loan | 2,265 million |
| Third war loan | 3,020 million |
| Total | $6,400 million |

**FRANCE**

| | |
|---|---|
| Treasury notes, national defense bonds, outstanding | 2,300 million |
| 5% war loan | 2,900 million |
| 5% Anglo-French loan | 250 million |
| Total | $5,450 million |

**AUSTRIA-HUNGARY**

| | |
|---|---|
| Brought out three war loans estimated to total about | $2,200 million |
| Total | $2,200 million |

**RUSSIA**

| | |
|---|---|
| Interior loans | $1,350 million |
| Treasury bills placed in Russia, France, England | 1,350 million |
| Total | $2,700 million |

**ITALY**

| | |
|---|---|
| 4½% war loan | $200 million |
| 5½% war loan | 200 million |
| Borrowed in U. S. A. | 25 million |
| Total | $425 million |

# When a Railroad "Goes Broke"

## The Last Steps of a Reorganization—Should an Investor Stay Out or Go In?—What He Must Do

By ALEX M. TOWNER

### Part IV. The Investor and the Reorganization Plan

WHEN a reorganization plan, sometimes called a readjustment plan, is finally published, investors frequently have difficulty deciding what their attitude shall be. Most protective agreements provide that when the reorganization plan shall be published, depositors may withdraw bonds upon payment of a pro rata amount of the committee's expenses.

**Bondholders' Option**

Bondholders usually have three options: To remain out of the reorganization by not depositing bonds; to deposit under a protective agreement and withdraw bonds when the plan is announced; or to deposit bonds under a protective agreement and accept the plan.

To understand these three courses of action investors must understand what takes place at a judicial sale of the mortgaged property. A date is set and there is a public sale, conducted under auspices of the court. A reorganization committee is present, usually represented by the chairman and one or more members, together with one or more attorneys. At the sale the committee in bidding, has the option or privilege of tendering the deposited bonds as payment. I want every reader to catch the significance of the last sentence. Any one presenting a certified check for a specified amount may bid at the sale, but usually the committee or representatives of the reorganizing bankers are the only bidders.

Suppose in the case of the hypothetical railroad used to illustrate the earlier articles of this series, the total debts to be provided for by the reorganization were $10,000,000. This might include underlying bonds, floating indebtedness, obligations of the receiver and similar debts. The bankers representing all the reorganization committees could bid $10,000,000 and tender in payment all the bonds controlled by the committee.

**Outside Bids**

There is nothing, however, to prevent an outsider submitting a certified check and then bidding say $10,100,000. But this bid, if successful, must be paid in cash. Of course it is easier to exchange securities than raise a large amount of cash. This gives committees, or bankers representing them, a great advantage.

Suppose the committee's bid is successful and there is no opposition, then provision must be made for minority bondholders. Let us assume there is only one bond issue and that the committee controlls 99% of the issue. In this case the committee must pay for the 1% of minority bonds in cash. Then the court deducts the pro rata amount of expenses of conducting the sale and deposits in some bank the balance to be paid over to holders of the minority bonds. This is known as the decree value.

**What An Investor Must Do**

If an investor believes that in a reorganization the issue of bonds owned by him will not be disturbed then he should decide whether or not to deposit his bonds with a committee. If he does not, and interest continues to be paid promptly, then he benefits from the work of the committee and has no expenses to pay. The investor in a case of this kind must decide whether he ows a moral duty to deposit his bonds.

There comes the problem of what action to take when default has occurred or is threatened, on his bonds. The investor must study carefully the personnel of the committee and counsel. In depositing under the usual agreement, unlimited power of attorney is granted to the committee and the bonds practically pass from control of their owners. In depositing with a committee an owner is practically bound to accept a plan adopted or approved by the committee even though the plan permits withdrawal

when the plan is announced. This may even involve an assessment, or exchange of a first mortgage bond for even a preferred stock.

### Remaining Outside

In remaining out of a reorganization, either by not depositing or withdrawing when the plan is announced, the holder takes the chance of obtaining only a decree value, the amount of which is based largely on whether there is competitive bidding at the public sale.

Undoubtedly the most difficult problem of an investor's life is the safe investment of funds. The next most difficult problem is the correct action to take regarding the disposition of securities in a reorganization. The average investor says when a default occurs and a committee is formed: "Can I be wiped out if I do not deposit my bonds?" The answer is both "Yes" and "No," depending on the value of the property pledged to secure the defaulted bonds. There is the decree value, or the securities offered under the plan, in the case of mortgages foreclosed. Sometimes decree values are ridiculously small and investors are better off paying assessments and speculating on the future of a company. An investor can not be wiped out if there is any decree value but where a default takes place followed by a foreclosure, an investor has the alternative of a decree value or an assessment.

### In or Out?

It is impossible to answer in a general way the popular question: Is it usually better to deposit bonds with reorganization committees? For instance, in the last Detroit, Toledo & Ironton reorganization all first mortgage bondholders were compelled to pay a heavy assessment and received adjustment income bonds and stock for new money. In the Hudson River Water Power reorganization, the issue which was a first mortgage of the parent company received 100% for principal and overdue interest coupons. This was because an able and energetic committee protected the issue. But holders of the bonds not joining the committee received the same treatment and had no expenses to pay.

These two illustrations show how various is the treatment received by bond issues in different reorganizations. The conclusion is that each reorganization must be studied separately and each bond issue of an insolvent corporation is a distinct and separate problem.

### Task of the Investor

When, therefore, an investor is faced with the problem of whether he should deposit his securities or stay out his course of action should be first to study the problem from every possible angle.

He should study the property from all sides, if he has not done so before he put his money into it. He should familiarize himself not only with the past history but the future prospects of his company, what it requires to put it on a sound earning basis again, whether the plan is adequate and whether the personnel of the new management is one worthy of confidence. He should know all the important details of the proposed reorganization plan and if the subject is too technical for him to readily absorb, he should seek the *disinterested* advice of some banker or person familiar not only with the property, but also with the subject of reorganizations.

If he decides to go into the reorganization he should endeavor to get his fellow bondholders to do likewise, for the greater the co-operation on the part of the security holders, the greater the chances of the plan being a success. And because one egg in his investment basket proved to be addled, he should not become discouraged nor lose confidence in the general theory of investment. After all reorganizations are not so very common, and fortunately represent only a very small part of the entire amount of invested capital.

*The end.*

A LUSTY and growing bank or investment account is a bomb-proof against the hand grenades of misfortune.

# Investing $10,000

## How to Obtain the Greatest Yield Consistent with Reasonable Security-Hints for the Business Man with Surplus Funds

**"Will you please give me your ideas as to the best manner of investing $10,000?"**

THIS question is typical of the many which THE MAGAZINE OF WALL STREET is called upon to answer daily from investors who are not satisfied with a nominal rate of interest, and are willing to sacrifice something of excessive margins of safety for larger yields.

Assuming that the $10,000 is to be the investment of *a business man* a small percentage of risk is allowed. It is possible to get a higher return on the money with less risk by diversifying the investment, that is to say, to purchase a good many different kinds of securities rather than to limit the investment to three or four.

At least $5,000 should be put into high-grade bonds which have a ready market and the price of which is unlikely to be much depressed even in periods of liquidation. There are many bonds which fulfil these requirements and which will yield the investor as much as 5 per cent. on his money. Among them are:

**Interborough Rapid Transit 5's.**
**Central Leather 5's.**
**Brooklyn Raid Transit 5's.**
**N. Y. Central convertible 6's.**
**Southern Pacific convertible 5's.**
**Chesapeake & Ohio convertible 4½'s.**
**Kansas City Southern 5's.**

About $3,000 should be invested in industrial preferred stocks. These issues give a very substantial return on the investment and there are many whose dividends are very secure. The following stocks at present prices yield well over 6 per cent. on the investment:

**American Locomotive pfd.**
**American Smelting & Refining pfd.**
**Baldwin Locomotive pfd.**
**Central Leather pfd.**
**Pierre Lorillard pfd.**
**Pressed Steel Car pfd.**
**Studebaker pfd.**

The remaining $2,000 could be put into more speculative issues with the idea of increasing principal rather than for income purposes. The following securities have good probabilities of appreciating in value:

**S. S. Kresge.**
**United Cigar Stores**
**American Coal Products**
**Emerson Phonograph.**
**Cramp Shipbuilding.**
**International Nickel.**

Some mining stocks of promise are:

**Alaska Gold.**
**Granby Consolidated.**
**Ray Consolidated.**
**Mines Co. of America.**
**Magma Copper**
**Tonopah Extension.**

Among the railroads might be mentioned:

**N. Y. Central.**
**Atchison.**
**Southern Pacific.**
**Erie 1st pfd.**

Of course the purchase of all this above list of stocks is not recommended. Three or four should be picked out. While it involves a little more trouble to scatter the investment among so many securities, it is the safer policy to pursue. There is no such thing as an *absolutely safe* investment, but if any unforeseen unfavorable developments should happen to any one of these companies, the loss would be small and probably more than balanced by appreciation in the value of the other holdings.

HE who would abolish risk is essaying a praiseworthy but impossible task. Risk may be greatly reduced but never can be totally eliminated.

# Bond Inquiries

**Gt. Western Power 6's**

C. S., Derry, N. H.—We consider Great Western Power 6% debentures as a reasonably good purchase. The company is believed to be well managed and has survived a number of vicissitudes and its prospects are believed to be improving.

**M. P. Convertibles**

E. E. B., Pittsburgh, Pa.—We do not consider Missouri Pacific convertibles a safe investment. The company is operated by receivers, and under the readjustment plan formulated by Kuhn, Loeb & Co. each $1,000 first and refunding convertible bond is offered 100% in new Missouri Pacific preferred stock. The speculation is largely regarding the future value of the preferred stock. We presume you are aware that the convertibles are in default.

**Gulf, Florida & Alabama 5's**

W. B. W., Dagus Mines, Pa.—We do not consider Gulf, Florida & Alabama 5% bonds a good investment. This railroad extends from Pensacola, Fla., northward through Alabama and is an uncompleted project. People familiar with the company believe it has a good future, but the bonds of any untested and undeveloped enterprise cannot be regarded as an investment.

**Industrial Preferred Stocks**

B. J. W., Newton Centre, Mass.—We are of the opinion that some of the industrial preferred stocks, at present prices, offer very excellent investment opportunities. Many of these companies are in very strong condition and their preferred stocks have not had much of an advance. The following stocks yield over 6% on the money invested and their dividends are reasonably safe:

American Locomotive pfd.
Baldwin Locomotive pfd.
American Smelters & Refining pfd.
American Beet Sugar pfd.
Pressed Steel Car pfd.
Railway Steel Springs pfd.
American Can pfd.

**Mining Convertibles**

O. H., Washington, D. C.—As you ask us to name some speculative convertible bonds, we suggest that you consider:

Chile Copper convertible 7's of 1923.

Granby Consolidated Mining, Smelting & Power 1st mortgage convertible 6's of 1928.

Ray Consolidated Copper first mortgage convertible 6's of 1921.

Inspiration Consolidated Copper first 6's, 1922.

Kennecott Copper Corporation first mortgage 6% convertibles of 1925.

Mexican Petroleum Company, Ltd., 6% convertibles of 1921.

**Safe Investments**

D. B., Concord, N. H.—As safe investments, with some speculative possibilities, we suggest N. Y. Central convertible 6's and Southern Pacific convertible 5's. These bonds are convertible into the stock of the companies and have good prospects of advancing further.

**Denver & Rio Grande 1st 5's**

C. E., Washington, D. C.—We feel rather confident that Denver & Rio Grande first and refunding 5's are a good speculative purchase. Of course, the Denver & Rio Grande is responsible for certain obligations of the Western Pacific, and we presume that, theoretically, the Denver & Rio Grande can be forced into receivership, but we have no doubt that this will be avoided and an amicable settlement will be made. In this case there is little doubt that the bonds should advance in the market.

**Quapaw Gas 1st 6's**

J. A. K., Scranton, Pa.—Under no circumstances can we regard Quapaw Gas first 6's as a conservative investment for trust funds. We do not believe executors or trustees should ever take any chances. There are only $700,000 of these bonds outstanding and, therefore, they have no real market. This company serves the lead and zinc mining district, and if you are to purchase any gas bonds or public utility securities you should preferably buy those serving communities of a very permanent nature.

**M., K. & T. 1st 5's**

K. L. V., Cincinnati, O.—It is too early to state definitely the effect a readjustment plan for the Missouri, Kansas & Texas will have on Missouri, Kansas & Texas of Texas first 5's. This railroad is believed to be in fairly good physical condition and during the last year actually earned a surplus of almost $1,500,000. The receivership was caused by inability to refund a note issue owing to unfavorable conditions obtaining in the security. We believe a plan to readjust the present bonds and provide for future requirements similar to the St. Louis & San Francisco plan will be proposed.

**Alberta 5's**

W. R. P., N. Y. City.—The Province of Alberta 5% bonds are undoubtedly a good investment, but the holder must be prepared for a readjustment in case of the possible settlement of the European war adverse to Great Britain, which would affect the interest rates of Canadian securities.

# PUBLIC UTILITIES


## An Old Company on a New Basis—Its History—Future Prospects

**By WALTER McNAUGHTON**

AS very few, doubtless, know much of the origin of this company, a rough outline sketch is in order. The express service was practically conceived in the mind of Henry Wells, who was an agent at Albany for an express service operated on boats plying on the Hudson River. This was in 1839. Some ten years later William G. Fargo, brother of the late James C. Fargo, president of the American Express Co., became associated with Wells in an express service across New York State. Shortly after the discovery of gold in California in 1849, Wells and Fargo made their way to the Pacific Coast and in March, 1852, formed Wells, Fargo & Co. E. B. Morgan was elected its first president. Then followed the stage coach and pony express development. The former form of service for passengers and goods lasted some forty years. Stage routes were projected, in time, to points east on the Missouri River and in the course of this expansion, similar stage coach services formed by Butterfield and Bridger and Holliday were absorbed.

A new company, the present Wells Fargo & Co. Express, was then incorporated in 1866 under the laws of Colorado. The pony service was inaugurated with 600 bronchos and 75 riders, none of whom weighed over 110 pounds. Among the best known riders were such men as William Cody (Buffalo Bill), Dan Wescott and Bill Pridham. As the railroad lines began spreading throughout the West, Wells Fargo stage coach lines naturally began to diminish, but the company offset this shrinkage by extending its service over the oncoming rail lines. Wells Fargo went east with the rapidly growing Southern Pacific and at Deming, N. M., made connections with a brand new road that was known as the Santa Fe. On it the company came east as far as Kansas City and subsequently to Chicago. A year later it acquired the express privileges on the Erie and came to New York, reaching this latter point during the memorable blizzard of March, 1888, the only coast-to-coast express company in the country.

### Financial Structure and Earning Capacity

When Wells Fargo was formed it had a capitalization of $3,000,000. This was soon increased to $15,000,000, but in 1872 it was reduced to $5,000,000. At various times later, 30,000 shares of a par value of $3,000,000 were issued, as advance payments on ex-

press contracts with the railroads, so that on June 30, 1909, the capital stock was 80,000 shares with a par value of $8,000,000. On December 9 of that year the capit-l stock was increased to the present $23,967,400. At the same time a cash dividend of 300% was declared on the original $8,000,000 of stock and paid on the following February 10.

The transportation operations of Wells Fargo and the trend of earnings during the past seven years is shown in the accompanying tabulation which presents the income accounts in skeleton form. It will be seen how important a part income from investments, under the head of "other income," has played, particularly since 1910, when net revenues began to decline. Wells Fargo's investments, like those of the other large express companies, were made in the highest grades of stocks and bonds of industrial and railroad companies and the consistently high annual return on these investments attests to the judgment that was exercised in their selection. The shrinkage of roughly $200,000 in this account last fiscal year was due, of course, to the effect of the European War on security values generally.

**OPERATING INCOME—INCOME FROM INVESTMENTS AND ANNUAL DISBURSEMENTS OF WELLS-FARGO & CO. EXPRESS, 1909-1915**

| | Gross Revs. | Net Revenues | Other Income | Total Net Inc. | P. C. on Stock | Dividends | Surplus |
|---|---|---|---|---|---|---|---|
| 1915........ | $38,544,786 | $1,306,858 | $1,031,819 | $2,338,677 | 9.75% | $1,438,044 | $900,633 |
| 1914........ | 31,928,020 | 1,109,344 | 1,235,251 | 2,344,595 | 9.78% | 1,917,392 | 427,203 |
| 1913........ | 34,976,523 | 1,700,533 | 1,344,893 | 3,045,426 | 12.71% | 2,396,740 | 648,686 |
| 1912........ | 32,484,716 | 2,204,828 | 1,236,846 | 3,441,674 | 14.36% | 2,396,740 | 1,044,934 |
| 1911........ | 25,194,493 | 2,153,771 | 1,336,122 | 3,489,893 | 14.56% | 2,396,740 | 1,093,153 |
| 1910........ | 27,303,702 | 3,183,475 | 1,641,066 | 4,824,541 | 30.18%* | 1,598,370 | 3,226,171 |
| 1909........ | 24,476,432 | 3,262,479 | 1,401,900 | 4,664,379 | 58.30%‡ | 800,000 | 3,864,379 |

*On $15,983,700 capital stock (aver.) outstanding on which divs. were paid.

‡On $8,000,000 capital stock outstanding.

### Investments in Other Companies

On June 30, 1915, the company held, as investments, stocks, bonds and notes having a book value of $20,400,108, on which it received an income of $1,031,820, equal to 5.06% on the book value of the securities and 4.30% on the $23,967,400 capital stock outstanding. Since the company recently established an annual dividend rate of 6%, it is clear that the major portion of this dividend requirement is practically assured from the company's investments, thus leaving only a small portion to be supplied from express operations.

The changes from year to year, as revealed in this same table, speak more or less for themselves. Events in the express transportation field are still too fresh in the minds of all to make necessary their retelling. The jump in gross receipts for the last fiscal year was due to the elimination of the United States Express Co., a very substantial part of its 31,000 miles of line going to Wells Fargo. With the advent of the 16% lower Interstate Commerce Commission rates, which became effective February 1, 1914, on practically all business, came the adoption of a lower dividend rate by the company. Wells Fargo had been paying a dividend of 10% regularly each year since 1906. In 1914 this rate was reduced to 8% and last fiscal year to 6%.

The present improved market position which Wells Fargo stock is enjoying is due to the generally better outlook in the express field, to the fact that the company is solving the complex new transportation problems which came with the changed system

of rates and practices and also to the fact that operating expenses, which are of an inelastic nature when readjustment downward is called for, are again well in hand. But this is not to say that the company has reached the stage where it can desist from making further strenuous efforts at reducing operating costs.

**Future of Wells Fargo**

Wells Fargo, like the other companies, is still engaged in trying out the rates prescribed by the Federal commission. A partial relief from these rates was afforded some months ago and went into effect on September 1, 1915. Under this relief, which made for a lowering of terminal allowances, additional revenue at some 3.86% (on the basis of gross for the year ended February 1, 1915) will accrue in the current year. This affords some relief. Whether modification of other rates will be asked for can only be determined when Wells Fargo and the other companies have completed the trials suggested by the Commission.

The prospects for additional new business are fair and, coupled with this outlook, is a reasonable possibility that there will be some additional modification of rates on at least some of the business. Also, there may be another effort sooner or later by the several companies to bring about a lowering of the payments to railroads for the express operating privileges. These now absorb about 50% of total express receipts. Such modifications were made in two directions not long ago by one of the four big express companies.

**Handling the Xmas Rush**

All in all, the outlook for Wells Fargo is considerably brighter than it was two or three years ago. There is a big and increasing demand for express service while on the other hand it has been pretty conclusively established that the Government parcel post, so far at least, has fallen far short of being anything like an express service. Then, too, the attitude of the public towards the express companies has changed and largely through the efforts of the companies themselves.

# Notes on Public Utilities

**American Gas & Electric.**—FOR YEAR ENDED Sept. 30, 1915, earned 23½% on common stock. Oct. and Nov. earnings were ahead of last year.

**American Tel. & Tel.**—GROSS EARNINGS in 1915 expected to be $245,000,000. Declared regular quarterly dividend of 2%.

**Boston Elevated.**—RECORD BUSINESS for holiday season.

**Consolidated Gas.**—TRUSTEES MEET for dividend action Jan. 7. Electric business for 1915 expected to show increase in net of approximately $1,000,000. Earnings from gas will be about the same.

**Detroit-Edison.**—DECLARED QUARTERLY dividend of 2%, an increase of ¼ of 1%.

**New York Railways.**—OPERATING RATIO at present about 60.5%, 1.5% better than last year.

**North American Company.**—PRESIDENT McCULLOCH of United Railways of St. Louis, a subsidiary, says 1915 gross will be $800,000 less than last year.

**Ohio State Telephone.**—NOVEMBER SURPLUS after charges $46,873.

**Pacific Gas & Electric.**—NOVEMBER NET increase $73,101.

**Philadelphia Rapid Transit.**—NOVEMBER SURPLUS after charges increased $114,144.

**Public Service of New Jersey.**—NOVEMBER EARNINGS were 10% ahead of last year. For the 11 mos. earnings were 4.4% ahead. Surplus for the 11 mos. ended Nov. 30 was equal to 15.15% on the company's $25,000,000 stock.

**South Carolina Light, Power & Railways.**—NET EARNINGS 30% ahead of last year.

**Third Avenue Railway.**—COMMITTEE APPOINTED to consider arranging for conversion of the 5% bonds into stock, or at least to give bondholders privilege of converting holdings into stock within a limited period. Motormen and conductors were given a wage increase which will amount to $100,000 a year.

**United Gas & Electric.**—DECLARED DIVIDEND of 3% on first preferred stock. George Bullock, president, says "operating results of all subsidiaries for the past six mos. have been very gratifying."

**United Light & Railways.**—PLAN for financing requirements of the company expected to be announced shortly. It is understood that there will be new security issued which will in time retire the present $9,800,000 6% first preferred stock, but which will not increase fixed charges. In 1916 company will only do such construction work as may be necessary to take care of new business. 1915 earnings expected to show about 6.5% on common stock, slightly more than in 1914.

**Virginia Railway & Power.**—FOR FIVE MONTHS ended Nov. 30 surplus available for dividends, $483,621, an increase of $29,418.

# Public Utility Inquiries

### Am. Tel. & Cable

R. A. L., Hartford, Conn.—Western Union's lease of American Tel. & Cable Co. expires in 1932. The latter company owns two transatlantic cables between England and the United States. Under the terms of the lease, Western Union has had to maintain the property in good condition and make replacements in the cables whenever necessary. Earnings of American Tel. & Cable are understood to be sufficient to pay its present dividend.

### Montana Power

A. W. T., N. Y. City.—Montana Power supplies power and light to Butte and neighboring cities, and mining properties. It also has a contract to supply power to the Chicago, Milwaukee & St. Paul. Earnings are at present running at the rate of 5½% on the common stock, which is paying 3%. Prospects for future development of this company are excellent, and we consider it a good stock to hold for a long pull.

### Montreal Light & Power

B. A., Ottawa, Ont., Canada.—Montreal Light, Heat & Power has an excellent record. Over the past 10 years both gross and net earnings have shown steady increases. For the year ended April 30, 1915, the dividend was earned with $1,449,243 to spare. The company has perpetual rights to do business in Montreal and within 100 miles of that city.

### Pacific Tel. & Tel.

H. T. W., Windsor, Ont., Canada.—Pacific Telephone & Telegraph is controlled by the American Telephone & Telegraph Co. There is $32,000,000 6% preferred stock outstanding, on which dividends have been paid

since organization, and $18,000,000 common stock outstanding. Bonded debt totals $34,032,000. The company for the past several years has shown but small surplus earned over its preferred dividend, but very substantial deductions are made each year for depreciation, and the reserve account now stands at over $10,000,000. For the year ended December 31, 1914, surplus after preferred dividend was $340,000, equal to 1.8% on the common stock. As there is not a very large amount of common stock outstanding, it would take but a small percentage increase of net earnings to enable the company to put it on a dividend basis. In fact, it could be put on a dividend basis at the present time if the company adopted the policy of charging less off for depreciation, which it would seem to be justified in doing.

It is impossible to say when dividends will be started. As the management is conservative, it does not appear that they will pay dividends on the common stock for some little time. There is good value behind the stock, however, and if you feel like holding it two or three years longer, it will probably be profitable for you to do so.

### New England Tel. & Tel.

W. A. P., Boston, Mass.—New England Telephone & Telegraph is a good investment stock. It pays 7%, and at $132, the yield is 5.3%. The company is in a strong position financially and earnings are very stable, so that the 7% dividend seems to be very well secured.

### Central States Electric

R. R. B., Kingston, La.—Central States Electric Corp. is now having its rates for electricity in the city of Cleveland adjusted. Until it is known just what the company will be allowed to charge we suggest that it would be well to leave the securities of this company alone.

### So. Western Cities

F. N., Batavia, N. Y.—South Western Cities Electric Co. serves a population of 40,000 in Oklahoma, New Mexico and Texas. There is $700,000 preferred stock which became a 7% issue in September, 1915. Before that it was a 6% payer. There is $1,400,000 common stock. For the year ended December 31, 1914, the company earned 11% on the preferred stock.

### Gary & Interurban

F. C. D., New Haven, Conn.—Gary & Interurban has outstanding:
$3,722,875 common.
$997,995 6% pfd.
$1,650,000 bonds.

For 17 months ended June 30, 1914, the company reported deficit after charges of $87,030. The company operates 86 miles of track between Chicago and Gary and surrounding towns. In August, 1914, the stock was assessed 10%.

### Wells-Fargo—American Express

W. A., Syracuse, N. Y.—Wells-Fargo for the year ended June 30, 1915, earned 9.8% on its stock, which is the same amount earned the previous year. The company is at present paying 6%. The financial position of Wells-Fargo is such a strong one that it would be justified in paying out all surplus earnings in dividends. Now that the company knows what effect the parcel post has upon its earnings, the management may see its way clear to put the stock back on an 8% basis.

American Express for the year ended June 30, 1915, earned 5.39% on its stock. For the year previous the company reported a deficit, before dividends, of $26,144. It would appear, therefore, that the company has solved the problem of making money under the reduced rates and competition of the parcel post. This stock at present prices looks like a fair speculation.

### Detroit United

T. C. J., Brooklyn, N. Y.—Detroit United would appear to be selling rather low for a stock paying 6% and with its present earning capacity. The probable explanation of this is that many of the company's franchises have expired and it is now operating under agreement with the city. As soon as the franchise question is settled, and if the company gets at all favorable terms, the stock will probably advance from this level.

### Good Public Utility Investment

J. M., Flushing, N. Y.—We consider Montana Power 5's and United Light and Railways 5's as well secured public utility investments.

### United Railways Investment

B. H., N. Y.—United Railways Investment has had a very considerable rise this year, having sold as low as $8 in January. Earnings of the controlled properties have shown considerable improvement, but the advance in the stock has probably largely discounted this, and it is very possible that the stock has gone as high as it will for the time being at least.

### Cities Service

C. F. K., Woonsocket, R. I.—Cities Service Co.'s earnings are showing up so well the present time that it is believed in 1916 the company will be able to earn at least as much on its increased capitalization as it earned this year on the old outstanding amount of stock. We are of the opinion that the common stock has good speculative possibilities.

## The Boston & Maine Tangle

### Causes of Road's Troubles—Cutting of Maintenance Should Stop—Leased Line Stockholders Must Assist—Talk of Assessment

By F. L. FONTAINE

THE WORLD of finance has few more interesting subjects to dissect than the situation surrounding the Boston & Maine railroad. A majority of the common stock is owned by the Boston railroad holding company, now directed by Federal trustees, but owned by the New York, New Haven & Hartford, and formerly controlled by that company. But the rest of the stock, a minority interest of about $19,000,000, is widely distributed throughout New England, principally in Massachusetts and New Hampshire.

In 1906, under the sanction of the Massachusetts railroad commission, $5,331,900 common stock was sold at $155 per share, and the greater part of it was taken by stockholders. Again, in 1910, the company received $1,636,700 for $1,128,300 par value of common stock, and still again less than a year thereafter, $10,436,400 out of an issue of $10,663,700 was eagerly purchased by stockholders at $110 per share. Today this same stock is selling around $35, has been down as low as $20, and for almost two years the company has been on the verge of bankruptcy.

The only encouragement stockholders have had during this period has been the constant improvement the road has shown under the guidance of the now able management, and its ability, within a period of about a year, to turn a deficit of over $2,000,000 into a surplus of about the same amount.

#### A New England Enterprise

The Boston & Maine Railroad is a strictly New England enterprise. It is one of the oldest railroads in existence, having been organized as long ago as 1835. The system taps the wonderful vacation lands of New Hampshire and Maine, serves the busy industrial region around Boston, the textile centers of Lowell, Lawrence and Manchester, the shoe centers of Massachusetts, and the commercial and industrial centers of Springfield and Worcester.

For years, the company had an honorable record, and was highly profitable. For a period of over 70 years between 1842 and 1913, the common stock dividend record was unbroken. In one year, 1870, it paid 15%, and in a number of years paid 10%.

#### Incubus of Leased Lines

The Boston & Maine system finally became one largely made up of leased roads. In fact, with a mileage of 2,251 miles, only 707 miles is absolutely owned, while 1,544 miles are operated under lease. This explains one of the reasons for the company's troubles, for some of these leases have proved profitable but others have merely been a dead weight. In Graphic 1 it can be seen how heavily these leases have borne on the company. In the year ending June 30, 1915, $5,589,405 was paid out in rentals, either in interest on bonds, or dividends on guaranteed stocks of affiliated companies. At today's cost of money, these rentals might be figured as on a 5% basis, but at the time the obligation was entailed, money was on a 4% basis, and therefore this rental should be estimated as 4% on a fixed capital obligation. In other words, on a 4% basis, rentals may be capitalized at $139,735,000. In the company's balance sheet, however,

investments in affiliated companies are carried at $10,069,563. This, therefore, must be subtracted from the rental capitalization, leaving the net rental capitalization at approximately $129,000,000. In other words, the net capitalization of the Boston & Maine R. R. is the rental capitalized, the funded debt of $43,338,000, the common stock of $39,505,100 and the preferred stock of $3,149,800, or a total of approximately $215,000,000. The Fitchburg lease has been profitable, but taken as a whole, the leases have been unprofitable.

### New Haven's Control

New York, New Haven & Hartford control was another factor in the downfall of the road, for since that company secured control in 1907, the company's capital obligations increased tremendously. The formation of the Boston R. R. holding company, and how it secured $21,918,900 of the outstanding common stock of the Boston & Maine, and $654,300 of the preferred stock, is now ancient history; history which was recently made more clear by the testimony of President Mellen at the trial of the former directors. Whether misfortunes came to the Boston & Maine because of the New Haven control, or in spite of it, it is hard to actually say. The fact remains that from the time when control was secured the declining fortunes of the road dated, and that under its control, the financial structure became topheavy.

Graphic 2 indicates the rapidity with which the company's financial condition declined. In the year just previous to the time when the New Haven secured control, the Boston & Maine had outstanding $24,638,000 common stock, $3,149,800 preferred and a funded debt of $30,808,000. It had current liabilities of $5,380,000. The preferred stock has undergone no change, but here is what has happened to the other issues. In 1908, floating indebtedness amounted to $11,350,000. The company then received permission and did extinguish this by selling $11,700,000 of 4½% bonds, thus bringing the bonded debt substantially to where it is today. This appeared to be good business, for the fiscal year of 1909 ended with no loans and bills payable, and with a common capital of $28,271,000. It completed its 1913 fiscal year, however, with a common capital of $39,505,100, an increase of over $11,000,000, and with loans and bills payable in the form of note issues amounting to $27,000,000. Here, then, was an increase of $39,000,000. Actually, it was an increase of about $40,500,000, for the company received a premium of $1,300,000 on the stock sold in 1910. It is practically im-


GRAPHIC I.

possible, however, to ascertain where this went to, for certainly the service and condition of the Boston & Maine has not shown that equivalent in improvement, although during that time it did add 79 miles of main line, 48 miles of second track, and about 52 miles of siding. The equipment of the company since 1911 has actually decreased, although most of this decrease has taken place under the present regime, indicating that considerable equipment has been scrapped in the last two years.

### Earnings

The table published contains a ten-year record of earnings. This shows the stability of gross earnings, and the gradual tendency to increase. It also shows, however, that up to the time the company was separated from the New Haven, the operating ratio also showed a tendency to increase, so that earnings were eaten up through the costs of maintenance and transportation expenses. It is of importance to know, however, that in 1914, the year of the highest operating ratio, transportation expenses actually decreased, the operating ratio being increased through an increase of $1,435,000 in maintenance expenditures. The principal point to note in this case, however, is the manner in which fixed charges continued to increase, while total income showed a slight tendency to fall off in the last few years, until finally in 1914 the total income of the company did not come within $2,044,000 of meeting the fixed charges. No road, of course, could live under such conditions.

### Maintenance

It has been maintained for years that the Boston & Maine property was skimped in order to pay dividends. Maintenance charges certainly increased heavily after the New Haven acquired control. Since 1908, the year just previous to the real inauguration of the New Haven policies, we find that maintenance of way expenditures increased $1,000 per mile, while maintenance of equipment expenditures increased almost $800 per mile, or a total increase of $1,800 per mile. In the meantime, transportation expenses rose almost $2,000 per mile, but $1,000 per mile was lopped off last year through the economies introduced by the new management. The ten-year average maintenance of way expenditures for the Boston & Maine were $2,452 per mile, and maintenance of equipment expenditures $2,583, or a total of $5,042. This compares with an average of $6,659 for the New Haven. The latter road has not been notable for liberal maintenance charges, and the fact, therefore, that the New Haven averages higher than that of the Boston & Maine, indicates a continual skimping in property.

If, then, maintenance charges two or three years ago were not any too liberal,

**BOSTON & MAINE R. R.**

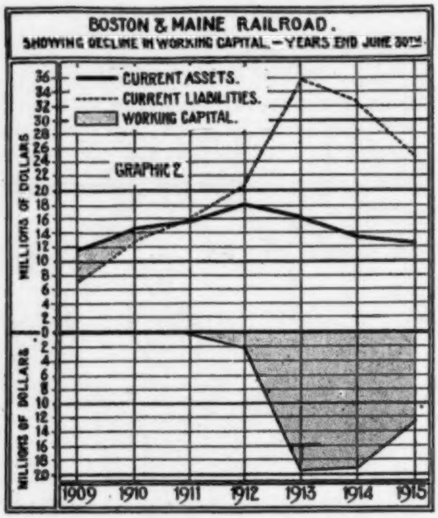
**Essential Statistics—Years Ended June 30.**

| | Gross Op. Rev. | Net Op. Rev. | P. C. Expenses to Gross | Total Income | Fixed Charges | Surplus for Year |
|---|---|---|---|---|---|---|
| 1915..... | $46,673,049 | $10,763,277 | 76.94 | $9,983,584 | $10,318,046 | †$334,462 |
| 1914..... | 48,160,286 | 9,304,067 | 80.68 | 9,151,645 | 11,196,387 | †2,044,742 |
| 1913..... | 48,513,507 | 10,412,083 | 78.54 | 9,930,596 | 9,880,899 | †1,324,441 |
| 1912..... | 45,990,364 | 10,903,069 | 76.29 | 9,815,493 | 8,525,246 | †477,703 |
| 1911..... | 44,815,084 | 9,666,381 | 78.43 | 8,506,216 | 8,150,228 | †1,602,983 |
| 1910..... | 43,357,175 | 12,020,851 | 72.27 | 10,732,983 | 7,882,362 | 982,102 |
| 1909..... | 39,528,698 | 11,264,843 | 71.50 | 10,177,225 | 7,789,622 | 570,241 |
| 1908..... | 38,990,749 | 10,018,608 | 74.31 | 9,064,135 | 8,312,639 | †1,329,125 |
| 1907..... | 41,125,256 | 10,156,859 | 75.30 | 9,186,383 | 6,587,187 | †625,864 |
| 1906..... | 39,214,202 | 9,860,834 | 74.85 | 8,737,429 | 6,685,509 | 217,276 |

†Deficit.

it is obvious that the drastic cut that has taken place in the last year and a half cannot continue without being very harmful to the physical condition of the property.

Holders of the stock of the leased roads have thus far not shown any particular inclination to help out the situation. But the Boston & Maine management cannot go on cutting down maintenance. The owners of the leased roads must sacrifice something




GRAPHIC II.

if the property is to be saved. Edmund D. Codman, formerly president of the Fitchburg railroad, recently proposed that earnings of the company leave room for an issue of $20,000,000 6% preferred stock, which he believes could be marketed around 90, the company to make up the difference between this price and par by the use of $2,000,000 of the cash now in the treasury. He contends that the common stock could be immediately placed upon a 4% basis. This, in the opinion of railroad experts, is mere fol-de-rol. The insidiousness of the leases has become apparent; the companies must be given working capital, and no banker or set of bankers is going to try and sell an issue of preferred stock at 90, for the chances would be that its sale would be mighty difficult, if not impossible.

Graphic 2 indicates the poor financial condition of Boston & Maine, and how its financial condition became worse year after year. Thus, in 1909, current assets were about $4,350,000 in excess of current liabilities. In the following year, working capital was cut down to less than $2,000,000, and in 1911 current liabilities were in excess of current assets. In the following two years, net debt increased very fast, and in 1913 it was almost $20,000,000. At the end of the last fiscal year it had been reduced to about $12,600,000. At the present time, according to the best information I can get, the company has something over $6,000,000 in quick assets, as against the $13,600,000 short term indebtedness which falls due next March. This reduction in indebtedness has come about partly through the cutting down of expenses, and partly through the exchange of Maine railway notes for Boston & Maine notes, but before there can be much hope for stockholders, leased line owners must sacrifice something. If they refuse to help, then it is obvious that stockholders can hardly escape an assessment.

# B. F. Goodrich Co.

## Will the Common Go on a Dividend Basis?—Earnings Present Situation and Outlook for Company

By CLINTON BOYLE

UNCERTAINTY as to what the directors are likely to recommend in the way of dividends, coupled with the knowledge that a very substantial amount of surplus has accumulated this past year, is responsible for the unusual attention paid to the common stock issue of the B. F. Goodrich Co. in the past few months. That the stock will go back upon a dividend basis early in January seems to be accepted in most quarters as a foregone conclusion. But, will it? It was predicted by some knowing ones that when the directors came together in October to declare the preferred quarterly dividend, that the board would not close the meeting without voting something for the common, and that something was to be nothing less than a return of the stock to a 4% dividend basis. The knowing ones had another guess, however.

### Earnings

That a substantial surplus has accrued, and largely through the earnings the last operating year, goes without saying. The semi-annual statement for the six months ended June 30, 1915, indicated earnings at the rate of 10% per annum on the common stock, and since July 1, the rate of earnings is reported to have been increased to nearly 15% on that issue. The most conservative current estimates on the year's showing is something above 10%, and probably nearer 13% than any other figure.

Whether such earnings will justify the placing of the common stock, of which there is $60,000,000 outstanding, on a higher than 4% dividend basis, of course, remains to be seen. There are some who say that a higher rate not only could, but should be declared, and these are presumably lined up with banking interests. Others, more conservative, say that a 5% rate is not unwarranted; that the earning capacity of the company has been permanently expanded and that such a rate could be easily maintained. These people are in alignment with certain prominent interests on the board of directors. Still others, and these represent the views of the officers of the company, the operating officials who know their field, say that anything over 4% would be unwarranted.

As a reflection of conditions in the fields in which B. F. Goodrich is established, it might be mentioned that there have been several periods within the year, when the net earnings of the company have shown at a rate in excess of 10% on the common. In the tire trade, and over 50% of Goodrich's business is concerned with the manufacture of tires, prices for the fabric used have increased something over 25% since the beginning of the year. The price of crude rubber has advanced likewise at least 5% during the same time. In trade circles the best opinion is that the cost of the tire output of Goodrich, in view of these increased prices for materials, is at least 7% above the cost of the first half-year. In other words, earnings equivalent to something over 10% on the common, would be accepted as a satisfactory showing by the Goodrich management. Such earnings would be larger than the earnings in any one year of the combined Diamond and Goodrich companies, before the consolidation.

### Improvements and Extensions

One thing will have to be taken into consideration in connection with the resumption of common dividends, that is, that the company has made a very considerable outlay for general plant improvements and extensions. It has adopted a program which will be carried well into 1916 before it is completed. One of the objects of this program is to place the company in a position to make the strongest kind of bid for this country's boot and shoe trade or, at least, a very substantial share in it. At the pres-

ent time the United States Rubber Co. is virtually in control of this business, but Goodrich is going to go after it "hammer and tongs."

B. F. Goodrich is the world's largest automobile tire manufacturer. During the busy season which ended last September, the company's output ran over 11,000 per day or, anywhere from 1,000 to 2,500 over that of its nearest competitiors. Other departments of Goodrich are also showing a very considerable increase. In the mechanical goods department, which was exceedingly slack for over a year, a large number of additional men have been taken on to handle the orders coming in from the railroad companies. The present buying on the part of the railroads is the first genuine buying in about 15 months.

### History of Company

The present B. F. Goodrich Co. was incorporated in 1912 as the successor of an old company of that name, and the Diamond Rubber Co. which shortly afterwards became consolidated with it. The plants are located at Akron, Ohio, and occupy 110 acres of ground and 60 acres of floor space. The number of employees in normal times is 15,000. Briefly, the present company manufactures automobile and other motor vehicle tires, bicycle tires, rubber and cotton hose, rubber belting and wearing apparel, boots, shoes and miscellaneous goods.

The company has an authorized issue of $30,000,000 of preferred stock, of which there is now $28,000,000 outstanding, $2,000,000 having been retired by the application of surplus earnings under a charter provision. This stock is entitled to dividends at 7% per annum and this rate is cumulative. Initial dividend was paid July 1, 1912. In addition to this, there is outstanding $60,000,000 of common stock on which dividends have been paid as follows: 1% each, August 15 and November 15, 1912, and February 15, 1913. None since.

Total income of the B. F. Goodrich Co. is estimated at $8,850,000 for 1915. With "depreciation" and "interest charges" set more or less arbitrarily at the amounts respectively shown, it will be seen that the surplus remaining for dividends is, roughly, $8,000,000. Deducting preferred dividends at the 7% cumulative rate, there remains prospectively for the common stock this year, $5,957,000 or practically 10%. But the actual figures are calculated to make a much better showing. How much better is a matter of guesswork. But even a showing like the above would compare favorably with that of 1914, when 5.62% was earned on the common, which in turn compares with .83% for 1913. The indicated net profit for the six months ended June 30, 1915, was $4,000,000 or at the rate of 10% for the issue for the year.

Net profits for five years from 1908 to 1912, inclusive, averaged $6,716,904, an interesting comparison between the old company and the new, after the consolidation with the Diamond Rubber Co.

**INCOME ACCOUNT, B. F. GOODRICH COMPANY, SINCE INCORPORATION IN 1912.**

| To December 31 | 1915* | 1914 | 1913 | 1912§ |
|---|---|---|---|---|
| Total income | $8,850,000 | $6,137,297 | $3,549,429 | $4,291,178 |
| Depreciation | 600,000 | 573,616 | 541,358 | 440,851 |
| Interest on account | 225,000 | 123,254 | 239,907 | 327,838 |
| Surplus for dividends | 8,025,000 | 5,440,427 | 2,599,747‡ | 3,522,489 |
| Dividend, preferred | 2,068,000 | 2,068,500 | 2,100,000 | 1,575,000 |
| Dividend, common | ........ | ........ | 600,000 | 1,200,000 |
| Surplus-Balance | $5,957,000 | $3,371,927 | $100,253† | $375,000 |

*Estimated.
‡Includes $168,417 as adjustment of value of treasury preferred stock.
†Deficit.
§For 9 months to Dec. 31, 1912.

### Tire Business

Last year, Goodrich is reported to have sold 1,675,000 auto tires and 65,000 bicycle tires. The Goodyear production in the same year was 1,478,000 tires, but large as the Goodrich business is, by comparison it amounts to only a little over 50% of the company's total business. Last year the company was in rather a serious plight owing to the rubber embargo and other conditions which were imposed in consequence of the European war, and was obliged to cut its operating force from around 15,000 to 6,000. And the solution of the situation at that time presented, as an alternative to shutting down temporarily, the use of an inferior grade of South American rubber. But an agreement was finally reached on the crude rubber proposition, everything has worked more or less smoothly and no further complications are looked for.

### Future of Goodrich

As to the immediate future of Goodrich. The most immediate development, of course, will probably be the return of the common stock to a dividend-paying basis. Whatever rate is determined for it, it may be accepted as reasonably certain that that rate can be maintained in the estimate of the directors. The prospective business of Goodrich in its various lines apart from tire manufacture, will undoubtedly be good. The future business of the company in boots and shoes alone, is expected to grow rapidly to large proportions. In fact so confident are the practical men of the ultimate success of this line of venture, that the footwear department will shortly be housed in a new building which is now under construction.

### Position of Common

As for Goodrich common stock, with its return to the dividend paying class, it ought to be entitled to a good position in the line of semi-investment securities. On the basis of 5% dividends and the present price of around 76, its interest yield would be 6.6% while, if it is returned to a 4% dividend rate, its yield would be 5.3%. The present prices compare favorably with the range in 1913 and mark a substantial recovery over those of 1914, when the question of crude rubber supplies was in the balance and the outlook such that nearly two-thirds of the employes had to be let go temporarily. In conclusion it might be said that the Goodrich management has been busily engaged the past two years in achieving the single object of reinforcing the company's financial position, and the degree of success which has accompanied their efforts will perhaps be fully revealed in the next annual report to stockholders which will come sometime in February. That they have been at least successful enough to make possible an early resumption of dividends on the common issue seems certain.

# Market Statistics

**THE accompanying tabulation is of great value to the trader, inasmuch as it gives a bird's eye view of the market situation in all its aspects. By comparing the statistics each issue with previous periods many helpful conclusions may be drawn.**

| | Dow Jones Averages 12 Inds. | Dow Jones Averages 20 Rails. | 50 Stocks High. | 50 Stocks Low. | Total Sales. | Breadth (No. issues). |
|---|---|---|---|---|---|---|
| Monday, December 20 | 127.42 | 105.50 | 90.63 | 89.95 | 409,100 | 179 |
| Tuesday, " 21 | 128.89 | 105.45 | 90.40 | 89.75 | 344,500 | 168 |
| Wednesday, " 22 | 128.59 | 105.38 | 90.52 | 89.61 | 538,200 | 184 |
| Thursday, " 23 | 125.28 | 106.54 | 90.98 | 90.06 | 601,800 | 195 |
| Friday, " 24 | 126.82 | 106.43 | 91.28 | 90.56 | 541,800 | 195 |
| Saturday, " 25—Stock Exchange Closed—Christmas Holiday | | | | | | |
| Monday, " 27 | 128.65 | 107.35 | 91.90 | 90.97 | 848,700 | 198 |
| Tuesday, " 28 | 127.94 | 106.63 | 91.81 | 90.64 | 600,100 | 209 |
| Wednesday, " 29 | 125.95 | 106.53 | 90.88 | 90.05 | 388,800 | 175 |
| Thursday, " 30 | 126.58 | 106.88 | 91.06 | 90.50 | 447,400 | 184 |
| Friday, " 31 | 129.94 | 108.05 | 91.83 | 90.92 | 980,900 | 212 |
| Saturday, Jan. 1, 1916—Stock Exchange Closed—New Year's Holiday | | | | | | |

# American Locomotive on the Up-Grade

## Worst Year Followed by Best Year in Company's History —What Its War Orders Mean—Endeavor to Oust Management

By FRED L. KURR

AMERICAN LOCOMOTIVE'S last fiscal year, which ended June 30, 1915, was the most disastrous in the history of the company. The current fiscal year promises to show larger earnings than have ever before been reported. The equipment business is an uncertain one at best and the earnings of the equipment companies are subject to wide fluctuations. The year ended June 30, 1915, caught in full the stagnation in trade in this country which followed the opening of hostilities abroad. A retrenchment policy was adopted by practically all the railroads and American Locomotive's domestic business dropped to almost nothing.

Gradually the placing of large contracts for war material in this country by the allies began to stir up a little more industrial activity and American Locomotive was able to enter its current fiscal year with a fair amount of domestic orders on its books. Then came the $68,000,000 order for shells of which the American Locomotive Co. undertook to deliver half itself and divided the other half between the New York Air Brake and Westinghouse Air Brake companies. American Locomotive is now turning out shells at the rate of over 7,000 per day and expects to be able to increase this output considerably. This is much better than called for by contract conditions which stipulate a delivery of 5,000 per day.

Domestic business and foreign locomotive business has over the past few months been coming in at a very satisfactory rate and orders on the company's books exclusive of war material can be conservatively put at $10,000,000. This is more than the entire gross business done for the year ended June 30, 1915, which was $9,303,298. With domestic business highly satisfactory and in addition $100,000 of war material being turned out a day, it can readily be understood that American Locomotive is looking up and that its securities have recently found much favor with the public.

### Earning Power in Past

As shown by Graphic 1 American Locomotive since its organization has only twice failed to cover its preferred dividend requirements. For the fourteen years 1901-1915 surplus available for dividends averaged 14.23% per annum on the preferred stock, or just about double dividend requirements. After deducting 7% on the preferred, the annual average per cent earned on the common was 7.23, whereas an average of less than 1% was paid out in common dividends. For the fourteen years, surplus over dividend payments amounted to $22,501,449, of which $11,907,771 was appropriated for additions and betterments, $2,300,000 charged off to cover loss in the automobile venture, leaving a profit and loss surplus of $8,293,678. This is a record that any company can well be proud of.

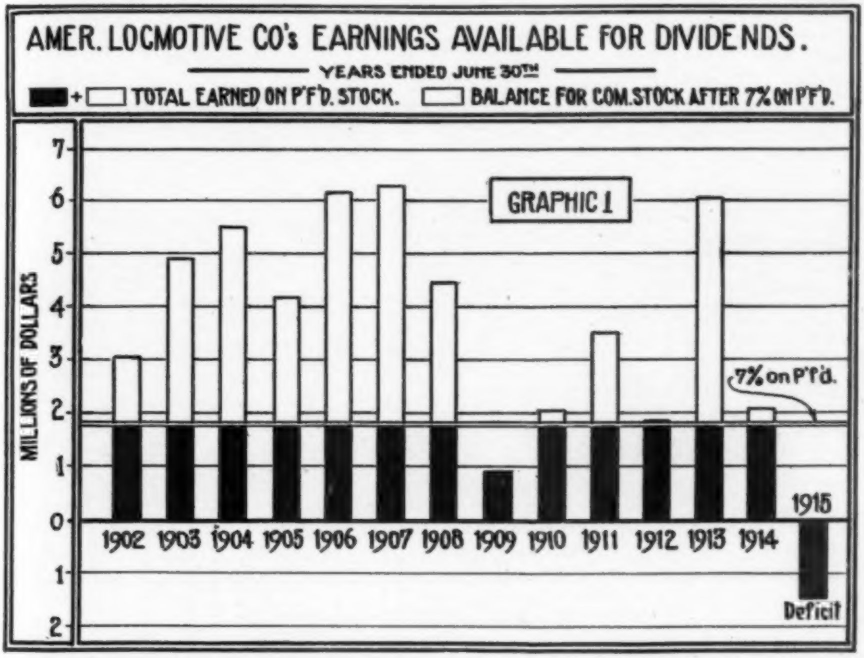
American Locomotive Co. was incorporated on June 10, 1901, in New York and acquired the properties of several locomotive companies. In 1904 it acquired the stock of the Montreal Locomotive Works. The following table gives the plants of the company and acreage:

| Works | Location | Acreage |
|---|---|---|
| Schenectady Works | Schenectady, N. Y. | 64 |
| Brooks Works | Dunkirk, N. Y. | 113 |
| Richmond Works | Richmond, Va. | 160 |
| Pittsburgh Works | Pittsburgh, Pa. | 10 |
| Rogers Works | Paterson, N. J. | 8 |
| Cooke Works | Paterson, N. J. | 26 |
| Manchester Works | Manchester, N. H. | 9 |
| Montreal Works | Montreal, Canada | 66 |

In addition the company has a plant at Providence, R. I., formerly devoted

to the manufacture of automobiles. It has been reopened for the purpose of manufacturing shrapnel parts. Another plant of the company, located at Allegheny, Pa., which has been idle for five years, has just been reopened.

While the company has orders on hand which would permit running the various plants at capacity it will be some time yet before capacity production is reached. One reason for this is the difficulty in securing the prompt delivery of raw material due to the present great congestion in the steel trade. In fact, American Locomotive would now probably be in a most embarassing situation in this respect were it not for the fact that on most of its requirements it is protected by long time contracts. If the plants devoted to the manufacture of locomotives can be kept up to anything like capacity for the next six months, profits from this source alone should be sufficient to take care of fixed charges and preferred dividends and and leave a substantial balance for common. The profits from the war business, therefore, will all be available for dividends on the common stock.

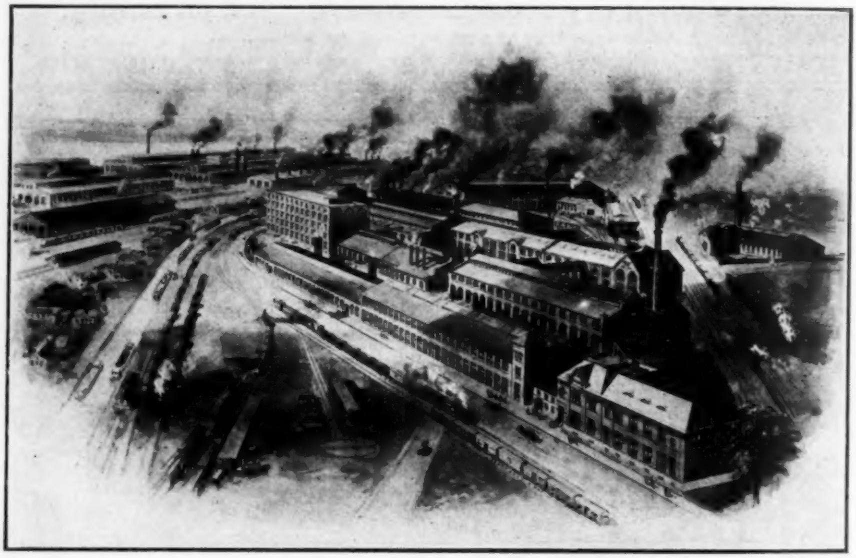



#### Estimated Earnings

For the six months ended December 31, 1915, it has been officially announced by the company that net earnings were $3,000,000 ahead of last year's earnings for the same period. This would be sufficient to take care of the preferred dividend for the entire year and leave a balance besides. It is impossible to make an accurate estimate as to what earnings on the common stock for this fiscal year will amount to as there are many uncertain factors. The company has the business but it is hard to say just how efficiently it will be handled in these next six months. If everything runs along reasonably smoothly and there are no undue hold-ups for raw material and no labor troubles, it is not unduly optimistic to expect that net earnings for the year ended June 30, 1916, will reach the $7,000,000

mark. Deducting $2,000,000 to cover interest and preferred dividends and the balance, $5,000,000, is equal to 20% on the common stock.

There are many good uses that this surplus can be put to besides the payment of common dividends. The company's $2,750,000 notes will probably be paid off. Then there will be a certain amount to be written off for expenditures made in connection with turning out the war munitions. The balance can be used to advantage in further strengthening the financial position of the company. Working capital as of June 30, 1915, amounted to $9,416,212 as compared with $12,326,840 on June 30, 1914, and $13,182,644 on June 30, 1913. With this year's surplus earnings put into working capital the company could consider itself strong enough financially to pay out any future surplus earnings in dividends on the common stock. The table shown herewith gives the comparative balance sheet of the company.



**Schenectady Plant of American Locomotive Co.**

### Position of Stocks

Graphic 2 shows that the common stock of American Locomotive has advanced this year very close to its previous high record made in 1906 when it was on a 5% basis. As already pointed out, an immediate dividend is not in sight for this issue. If earnings continue at their present rate for another year, however, it is very likely that by that time the management will see its way clear to putting the stock in the dividend-paying class. It would seem, however, that the present price of the common stock pretty well discounts the improved outlook for the company, for the time being at least. It must be remembered in this connection that while profits of as much as 20% this year on the common stock are likely they have not been earned yet and some unfavorable condition might arise which would reduce this materially.

The preferred stock selling a little over par has not had relatively as big a rise as the common and is still considerably below the high points touched in other years. This stock has never failed to pay its 7% dividend from organization of the company to

BALANCE SHEET OF AMERICAN LOCOMOTIVE CO. (AS OF JUNE 30).

| | 1915 | 1914 | 1913 | 1912 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cost of property | $52,209,638 | $52,609,059 | $52,623,220 | $53,019,952 |
| Securities owned | 748,499 | 826,072 | 793,357 | 868,224 |
| Notes discounted | 148,032 | 464,094 | 702,378 | 1,529,568 |
| Miscellaneous | 61,135 | 113,259 | 218,155 | 281,277 |
| Current assets | 27,704,924 | 19,412,757 | 26,909,027 | 23,783,454 |
| Total | $80,872,228 | $73,425,241 | $81,246,137 | $79,487,475 |
| **Liabilities** | | | | |
| Preferred stock | $25,000,000 | $25,000,000 | $25,000,000 | $25,000,000 |
| Common stock | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 |
| Bonded debt | 1,932,000 | 2,255,000 | 2,280,000 | 2,305,000 |
| Endorsements | 148,031 | 464,094 | 702,378 | 1,529,568 |
| Reserves | 2,209,806 | 2,084,572 | 3,327,845 | 844,623 |
| Current liabilities | 18,288,713 | 7,085,917 | 13,726,383 | 15,134,059 |
| P. & L. surplus | 8,293,678 | 11,535,658 | 11,209,531 | 9,674,225 |
| Total | $80,872,228 | $73,425,241 | $81,246,137 | $79,487,475 |

date. As already noted, earnings of the company the past fourteen years have averaged double the preferred dividend requirements. The company will in all likelihood continue its conservative policy in regard to common dividends and increase the equity of the preferred stock by putting earnings back into the property. On its record the preferred is entitled to be classed as a good investment issue and at present prices the returns on the money invested is a very liberal one.


American Locomotive is a storm center at the present time as a certain large stockholder is waging an aggressive campaign against the present management.

Charges of mismanagement, as are usual in contests of this sort, are current, but the matter has not yet progressed from the wordy warfare state to that of definite action.

SUCCESSFUL TRADERS are successful psychologists. They take advantage of the mistakes of reckless, rash and eccentric market followers. They know that the skies are never so bright as when the market is at its zenith and never so dark as when it is at the bottom.

# American Can

## War Orders and Domestic Business—Earnings and Dividend Prospects

By WM. N. GARDNER

AS an industrial, American Can is today in better position than at any time since its organization in 1901, and most of the improvement wrought was actualized within the past few years. One of the best measures of this improvement is the steady increase in earning power which has been demonstrated. On its regular business alone, this year, American Can will make a better showing than in any preceding year. And in connection with this it must be remembered that a part of its productive energy was switched to the manufacture of special war supplies. Surplus earnings on the common stock alone will be equivalent to about 5% for the year to December 31, a figure which would compare with 2½% for 1914.

### War Orders

In addition to its regular business, American Can has a war order for shells amounting to $38,000,000. Actual deliveries will commence some time in January, and it is thought that final delivery will be made by summer. The profits on this war order are estimated at $9,000,000, or an equivalent of about 22½% on the outstanding common stock of $41,233,000. In addition to this, American Can is reported to have received another war order recently amounting to some $10,000,000, on which the profits would be about $1,000,000. This would make total profits of approximately $10,000,000 from special business alone, or about 25% on the common capital stock. Added to the 5% the company is estimated to be earning from its regular business, common stockholders have ahead of them a potential 30% surplus on their holdings, all of which would be available for distribution. For, the estimate of 5% for the year on the common is based on surplus after deducting all charges for construction and equipment accounts.

### Common Dividends?

At any rate, American Can, after completing its war order contracts, should be in position to pay dividends on the common stock. That issue has as yet received no dividends. The common stock equals in amount outstanding the preferred stock of the company, and it has a voting power equal to that of the latter. The preferred stock, however, has priority for cumulative dividends at the rate of 7% and, of course, for its full par value together with full accrued dividends in the event of a distribution of assets, but at the same time, it is not entitled to any further share in profits or in assets. There is still due to the preferred stock 8.95% in accrued dividends and the regular rate for the current year of 7%, making 15.95% which will have to be paid before the common stock will rank for dividends. But the prospective profits on business already secured is equal to 35% on the common stock, or more than twice the amount required to pay off the full dividend debt of the preferred stock.

The trend of earnings as revealed in the income accounts of the company since 1909 may be shown in the skeletonized tabulation herewith.

American Can is in an exceptionally strong financial position. At the conclusion of operations for 1914, the company's report showed in excess of $17,000,000 in net quick assets, or nearly 50 cents for every dollar of gross sales during the year. This proportion is considered as more than adequate in the can industry.

The next annual report of the company will be available in March some time. The company has never made public voluntarily the volume of its gross earnings, but an index for a

fairly recent year was obtained by the United States Government in its suit against the company for alleged violation of the Federal anti-trust act. That year was 1913, and gross earnings amounted to $38,652,508. Net earnings in the same year, as reported to stockholders, were $6,245,679 or, roughly, 16% of gross. This figure of net, of course, was before deducting interest on the 5% gold bonds issued in February of that year to the amount of $14,000,000. These bonds were issued to reimburse the treasury of the company for surplus earnings expended for the acquisition and construction of new properties and for working capital. The company, by the way, is pledged not to create any mortgage or pledge any of its properties or create additional funded debt, so long as any of the above bonds are outstanding. A sinking fund provision comprehends the retirement of $500,000 of the bonds annually and of the original issue of $14,000,000, $552,000 was cancelled through the operation of this sinking fund on May 1, 1914. The bonds mature February 1, 1928.

### Government Suit

One of the factors in the position of the American Can Co. is the suit of the Federal Government against it under the Sherman act. The best opinion in legal circles, however, is that the company has succeeded in making out a much stronger case in its behalf than did the Steel Corporation in its suit, and that the prospects favor a final victory for the company One of the results of the Government proceedings against American Can has been the development of a good deal of information regarding that company and its competitors in the field that was not generally known theretofore. For instance, during the hearings it was developed that the competitors of the American Can Co. had a combined capitalization of $17,260,500 and a gross earning capacity of about $21,000,000 annually. How this compared with American Can (figures were for 1913) is shown in the tabulation on this page wherein the figures for American Can's largest single competitor, Continental Can Co., are shown separately.

Among the other competitors of American Can and included with "all others" are: Tin Decorating Co. Wheeling Can Co., United States Can Co., Southern Can Co., National Can Co., Pacific-American Fisheries Co., John Boyle Co. and Heekin Co. Practically all of these are privately owned. The Tin Decorating Co. is American Can's second largest competitor in thi country and is owned by the American Tobacco Co. It is capitalized at $2,000,000, did a gross annual business of $3,780,000 in 1913 and net of $500,000. It sells about 75% of its output to th trade. The remainder is taken bv th American Tobacco Co.

It was on the basis of the above combined figures of its competitors that the Government brought its dissolution suit and alleged the attempt to monopolize, with a further allegation that the company controls 50% or more of the foreign and domestic busi-

**INCOME ACCOUNTS OF AMERICAN CAN, 1915-1909**

| Year | Net Earnings | Deprec. & Renewals | Pfd. Div. Rate | Pfd. Div. Amount | Surplus for Common |
|---|---|---|---|---|---|
| 1915* | $6,548,000 | $850,000 | 7% | $2,886,331 | $2,062,000 |
| 1914 | 5,807,802 | 750,000 | 7% | 2,886,331 | 1,489,842 |
| 1913 | 6,245,679 | 1,212,762 | 7% | 2,886,331 | 1,096,586 |
| 1912 | 7,522,932 | †983,885 | 5¾% | 2,370,915 | 4,168,131 |
| 1911 | 5,416,399 | 2,500,000 | 5% | 2,061,665 | 854.734 |
| 1910 | 3,456,537 | 633,565 | 5% | 2,061,665 | 761,307 |
| 1909 | 3,301,677 | 545,526 | 5% | 2,061,665 | 694,486 |

*Estimated. †Includes $483,886.

Note: In 1913, $1,050,000 was paid out as discount on the 5% s. f. gold bonds, and in 1914, $681,629 was paid as interest on those bonds.

ness of the country. In its joint answer the American Can Co. stated that it had only about 33% of the output in this country. The company, according to the brief filed by the Government, in estimating the percentage of its output of the total, includes all those cans made by the packers for their own use, which the Government argued were not sold to the trade and therefore cannot be included in the business engaged in interstate commerce. The Government made up its figures from the cans made only for sale.

### Diversification of Products

American Can has a wonderful diversification of products. It will probably come as a great surprise to most that the company makes over 43,000 different kinds of cans or containers. Besides the ordinary tin cans for food products, tobaccos, soaps, powders, etc., it makes scores of other articles, chief among which are adding machines, bread-boxes, banks, brush safes, coffee-mill hoppers, ice cream freezers, paper boxes, ash and garbage cans, sheet metal stoves, oil cans, fibre cases and miscellaneous tin and corrugated ware. Last year there was packed in this country something over 2,600,000,000 cans of food alone. This is a record-breaking figure, but it will be exceeded this year, largely through the enormous demand for food products in tin cans by the European nations. Domestic demand for "tinned" products is also steadily increasing.

### Record Number of Contracts

At the beginning of the current year American Can had perhaps the largest number of contracts it ever had at any one time in its history. These contracts indicated the record-breaking demand for cans that had come into existence. Tin plate prices have been lower this year than in any since 1899, and as American Can uses approximately 5,000,000 base boxes or about 250,000 tons annually, the saving of from 10 cents to 20 cents per box or $2 to $4 per ton amounts to a considerable item. In all probability the base price of tin plate will soon be advanced to possibly $3.75 per box.

The larger tin plate interests have sold nearly all their tin plate for 1916 delivery at $3.50 to $3.60 that they care to sell. The export demand for tin plate continues active but domestic demand is not, nor is demand for prompt delivery urgent. In fact, because of this situation, operations among mills are reported to have slowed down.

In the light of American Can's demonstrated earning capacity of the past few years, its current earnings and the steadily increasing demand for cans by the canning industries of the United States, quite apart from the demand stimulated by reason of the war in Europe, American Can common stock at around present prices seems to have considerable merit as an investment.

**AMERICAN CAN AND ITS COMPETITORS**

| Company | Capital | Gross | Net | Net to Gross |
|---|---|---|---|---|
| American Can Co.......... | $96,466,000 | $38,652,508 | $6,245,697 | 16% |
| Continental ............... | 13,250,500 | 7,185,800 | 788,016 | 10% |
| All others ................ | 4,110,000 | 13,704,091 | ......... | .... |

### Dividend Prospects

Dividends on the common stock are more than reasonably in prospect. The war order business of the company is really incidental to its regular business, though profits from it will serve to wipe out the remainder still due on back preferred dividend account and hasten somewhat the initial disbursement on the common. The company's management has demonstrated its conservativeness and intelligence and this is augmented by what is reputed to be one of the best sales forces in the world.

# Investment Digest

### INDUSTRIALS

**Aetna Explosives.**—HAS PAID off $2,155,000 of its $3,000,000 notes.

**Ajax Rubber.**—FORMED to take over business of Ajax-Grieb Rubber Co. New company has issued $3,000,000 common stock, par value $50. Average annual earning for 4 years ended Aug. 31 were $450,000, equal to $7.50 a share per annum on present stock. For year ended Aug. 31, 1916, earnings are estimated at $750,000.

**Allis-Chalmers.**—UNFILLED ORDERS reported at nearly $9,000,000 as against $2,500,000 a year ago. This is sufficient to keep plants at capacity for 8 mos. Quarter ended Dec. 31 expected to show 8% on pfd. stock.

**American Coal Products.**—EXPECTED to earn current year between 35% and 40% on com. stock. 1916 expected to show still better.

**American Writing Paper.**—CURRENT OPERATIONS reported to be showing improvement. Deficit, however, of between $200,000 and $225,000 is expected after interest and sinking fund charges for 1915.

**Atlantic Gulf & West Indies.**—EXPECTED to earn close to $15 per share on pfd. stock for 1915.

**Baldwin Locomotive.**—REPORTED to have taken about $9,000,000 of shell orders from Midvale Steel Co.

**Butler Bros.**—GROSS EARNINGS reported to be 15% to 20% ahead of last year.

**Cambria Steel.**—EXPECT to list stock on N. Y. Stock Exchange. Negotiations for merger with Youngstown Sheet & Tube Co. still under way.

**Canadian Car & Foundry.**—SHIPPED 50,000 shrapnel shells in one week from its Lyndhurst, N. J., plant. Directors meet next month to take action on question of dividend.

**Carwen Steel Tool Company.**—Operating night and day to capacity on orders from leading munition and steel manufacturers, including Bethlehem Steel Corporation, Du Pont Powder Company, Remington Arms Co., American Brake Shoe & Foundry Co., and other large corporations.

**Chandler Motor.**—ORDERS on hand for 6,000 cars. Expects to produce 15,000 cars in 1916. Will not lower price of car this year. Orders already on hand said to assure profits of $16 a share.

**Chevrolet Motor.**—CAPITAL STOCK increased from $20,000,000 to $80,000,000. New stock will be exchanged for stock of the General Motors Co. on the basis of 5 shares of Chevrolet for 1 of General Motors. General Motors stock taken is owned by W. C. Durant and allied interests. It is not unlikely that offer to exchange Chevrolet shares for General Motors shares will be made to all General Motors com. stockholders within a few months.

**Colorado Fuel & Iron.**—PLANTS REPORTED as running at full capacity.

**Curtiss Aeroplane Co.**—CONTRACT CLOSED with British Government for $15,000,000 aeroplanes.

**Distillers Securities.**—ADDITIONAL ORDERS booked for 10,000,000 gallons of alcohol for export at a price of 52c. a gallon net. Earnings reported to be running at the rate of 12% a year.

**Driggs-Seabury.**—ORDER RECENTLY taken for 500 3-inch guns amounting to $2,000,000. Plants running night and day.

**Eastman Kodak.**—DISTRIBUTED $1,000,000 to employees as a bonus.

**Emerson Phonograph.**—DEMAND for $3 machines so great that they sold at $4.98 on Broadway before Christmas. The 10c. Caruso records and other foreign selections by high grade artists have sold as high as 25c. Supply of both machines and records will rapidly increase from now on, and management expects to place the stock on a dividend basis early in 1916.

**Emery Steamship.**—STOCKHOLDERS VOTED to liquidate company Dec. 31. Pfd. stock will receive $100 a share and 1⅙% in addition. Com. stock will receive an initial dividend in liquidation of $35 a share.

**Ford Motor.**—PRODUCTION 80% ahead of last year. Expected to produce 500,000 cars in 1916.

**Franklin Automobile.**—STOCKHOLDERS VOTED to issue $1,100,000 additional common, increasing outstanding amount to $2,600,000. Pfd. stock has all been retired.

**Goodrich (B. F.).**—GROSS SALES for 1915 will reach $55,000,000, a 35% gain. Expected to earn 10% on common.

**Gulf States Steel.**—DECLARED 15¼% on 1st. pfd. which clears up all back dividends.

**Haskell & Barker Car.**—INCORPORATED with 220,000 shares of stock, no par value. 200,000 shares have been offered to the public at $50 a share. Working capital is $3,000,000. In 1913 net earnings were $1,308,000 and in 1914 $1,125,000. 1915 earnings are estimated at $1,500,000, equal to $7.50 a share. Capacity of plant is 24,000 cars a year.

**Hood Rubber.**—DAILY PRODUCTION now running at rate of 55,000 pairs of rubber boots and shoes daily. 1915 will be best year in company's history.

**Inland Steel.**—BOOKED up until middle of 1916.

**International Agricultural Corporation.**—FLOATING DEBT reduced more than 50% current year. Dividends on pfd. expected to be resumed early in 1916.

**Lackawanna Steel.**—NET EARNINGS for 1915 expected to be over 5% on stock. Present earnings estimated at rate of 14% per annum.

**Lee Tire & Rubber.**—NOVEMBER sales 25% ahead of last year. Producing at rate of 1,000 tires a day.

**Marlin Arms.**—ARRANGEMENTS made to retire pfd. stock in three instalments. Has secured contract from British government for 12,000 machine guns.

**Maxwell Motor.**—REPORTS for 3 mos. ended Oct. 31, 1915, total income $1,496,809.

**May Department Stores.**—NOVEMBER SALES $500,000 ahead of last year. Prospects of restoring com. stock to 5% rate look bright. 1915's gross expected to cross $28,000,000.

**Midvale Steel & Ordnance.**—CLOSED CONTRACT with French government for 12-inch shells amounting to approximately $30,000,000.

**Pennsylvania Steel.**—RECEIVED ORDER for 85,000 tons of steel from French government.

**Poole Engineering & Machine.**—CONTRACTS now on hand aggregate $17,785,000 on which profits of $3,000,000, it is estimated, will be obtained.

**Reo Motor Car.**—DECLARED 100% stock dividend, increasing stock from $3,000,000 to $6,000.

**Saxon Motor.**—PRODUCTION for 1915 over 21,000 cars, a gross business of $13,500,000.

**Sears-Roebuck.** — EXPECTS 1915 will show gross of nearly $150,000,000, an increase of $13,000,000 over previous year.

**Steel Co. of Canada.**—DECLARED REGULAR quarterly dividend of 1¾% and authorized payment of 3½% on back dividends on pfd. stock. There is still 3½% back dividends.

**Triangle Film.**—PRESIDENT AITKEN says contracts now on hand amount to $5,900,000 annually.

**United Cigar Stores.**—SALES FIRST 19 days of Sept. showed increase of 20% over last year.

**United Drug.**—SPECIAL MEETING to approve proposed merger of Riker-Hegeman has been further postponed to Jan. 4.

**United Shoe Machinery.**—SUSPENSION of temporary injunction has been issued by Judge Dwyer in the Clayton Act suit. This permits company to transact in usual way pending hearing of case on its merits.

**Westinghouse Electric.**—DECLARED REGULAR quarterly dividend of 1½% on com. and 1¾% on pfd.

**Winchester Arms.**—HAS FILLED its first order for 1,000,000 rifles for the Allies. Orders on hand for 2,000,000 additional rifles, which will keep plants running at capacity throughout 1916 and 1917.

**RAILROADS.**

**Baltimore & Ohio.**—IF CURRENT increases in earnings are maintained, report for year ended June 30, 1916, will show between 10% and 11% for com. stock.

**Boston & Maine.**—WOODWARD HUDSON has been appointed vice-president. Mr. Hudson comes from the Boston & Albany where for 27 years he has been intimately connected with New England railroading.

**Colorado & Southern.**—ESTIMATED that for 6 mos. ended Dec. 31 surplus after charges sufficient to pay full year's dividend on 1st and 2d pfd. stocks.

**Canadian Pacific.**—GROSS EARNINGS for first two weeks of December were nearly 100% ahead of last year.

**Central Vermont.**—PRESIDENT E. C. SMITH says, "There is no intention or necessity for reorganizing Central Vermont at the maturity of its bonds (1920), or at any other time. With the consummation of improvements already provided Central Vermont can be operated at between 72% and 73% of gross earnings of the property."

**Chesapeake & Ohio.**—F. H. RAWSON, a director, says, "There is little likelihood of dividends being resumed next year. Earnings are large but stockholders will be better served by having surplus earnings invested in property than being disbursed in dividends."

**Delaware & Hudson.**—A DIRECTOR says, "Company is making a high record in earnings this year. Railroad property is being operated for less than 60% of gross. It has not been below 60% since 1911." Company earned 10.84% in 1914, but in 1915 earnings are expected to exceed the 14½% record of 1913.

**Erie.**—STOCKHOLDERS OFFERED privilege of subscribing at 85 for $20,000,000 convertible 4% bonds to extent of 10% of holdings. Proceeds of sale to be used for retirement of $10,000,000 5% notes maturing Apr. 1, 1916, $2,000,000 to complete double tracking and grade reductions, and to increase terminal facilities. Balance to be used to provide in part for retirement of 5½% notes due Apr. 1, 1917.

**Kansas City, Mexico & Orient.**—UNDER REORGANIZATION plan new company will have $15,003,600 first mortgage bonds, $27,273,333 5% non-cumulative convertible

preferred stock, and $29,064,667 common. Holders of old first mortgage bonds are to subscribe $600 for bonds. They will receive $600 in new first mortgage bonds, $1,000 in new preferred, and $1,000 in new common. No provision is made for old preferred or common stockholders.

**Lehigh Valley.**—DECLARED REGULAR quarterly dividend of 2½% on common and preferred.

**Minneapolis & St. Louis.**—FOR FIVE mos. ended Nov. 30 surplus was $343,654 which exceeds year's dividend requirements on pfd. stock.

**Missouri Pacific.**—MAJORITY of both convertible 5's and gold loan 4's, on which reorganization primarily hinges, have been deposited under plan, and about 45% of the stock. Protective committee for the 5's of 1917 and 1920 has expressed disapproval of plan, as have also George and Edwin Gould who hold convertible 5's. Reorganization is not fundamentally dependent on the 5's of 1917 and 1920, and this opposition is not expected to interrupt progress toward early reorganization.

**New York Central.**—DECLARED REGULAR quarterly dividend of 1¼%. Nov. net increased 100%.

**Rock Island.**—NEGOTIATIONS in progress for extension of $7,500,000 6% notes due Feb. 16.

**Southern Pacific.**—CURRENT EARNINGS breaking all records.

**St. Louis & San Francisco.**—ARRANGEMENT for reorganization of the road has been somewhat upset by action of Public Service Commission of Missouri in eliminating some of the most important features of the proposed plan.

**Texas & Pacific.**—BANKERS TRUST CO. has filed receivership application against road for failure to pay interest on bonds. Sale has been set for Jan. 31 at Dallas, Texas. Company is in default on its second mortgage income bonds, no interest having been on these bonds since 1908.

**Union Pacific.**—NOVEMBER GROSS earnings greatest in its history.

**Western Pacific.**—REORGANIZATION PLAN provides for formation of an operating company and holding company. The plan requires cash of $18,600,000. The $50,000,000 first mortgage bonds and defaulted coupons will be refunded into stock. Receivers equipment obligations will be paid in cash. There will be eliminated by foreclosure $25,000,000 second mortgage bonds and $75,000,000 stock.

# Investment Inquiries

***NOTE.—Answers published are condensed from the very large number of inquiries received. All inquiries are answered by mail as soon as received and should be accompanied by stamped and addressed envelopes. Questions should be as concise as possible, written on one side of the paper and the prices paid for securities about which inquiry is made should always be stated. Replies wired C. O. D. when requested. Annual subscribers' inquiries receive first attention.***

### Pittsburgh Tractions

J. M. F., Greenville, Pa.—It is difficult to decide definitely whether United Traction and Southern Traction bonds of Pittsburgh should be purchased at current prices. Traction securties have been seriously injured marketwise by jitneys throughout the United States. Pittsburgh is experiencing a great revival in industry which should last for several years, and it is our opinion that many of the troubles which have adversely affected Pittsburgh public utilities will disappear, so the chances favor that a purchase of United Traction and Southern Traction securities will prove profitable.

### Chevrolet Motor

S. M. J., Springfield, Mo.—Chevrolet Motor Co. is understood to be earning at the rate of about 10% per annum on its stock. This alone would hardly justify its present price, but the company has made arrangements to very greatly increase its present capacity and is putting out a cheap car to sell at $490. W. C. Durant is president of the company, and under his management the company should expand quickly. In view of the present excellent position and plans for development, it would seem that Chevrolet ought to work higher.

### Peace Purchases

I would would appreciate your naming some stocks which would be benefited by the sudden termination of the war. F. M., Philadelphia.

It is the opinion that a sudden termination of the war would temporarily have an adverse effect on all stocks. The western rails are a class of securities we suggest as good purchases on any decline brought about by sudden peace. We suggest Atchison, Northern Pacific, Southern Pacific, Erie and Chile Copper as good stocks to hold for a long pull.

**Sloss Sheffield**

W. H. S., Hyde Park, Mass.—Sloss Sheffield Steel & Iron will earn this year about 8.3% on the preferred stock. Recent earnings, however, have been showing great improvement, and if the high price of pig iron is maintained, the company should earn in 1916 at least 10% on the common stock, after providing for preferred dividends. With pig iron at a normal price, however, the company has not proved itself a very big earner, and we think that the price of 100 for the preferred is rather high.

**Willys-Overland**

D. P., Flint, Mich.—Willys-Overland is doing very large business. For 1915 it is expected that earnings will show $52 a share on the common stock. Production of cars for 1915 will be over 90,000 and it is anticipated that in 1916 200,000 cars will be produced. Daily output now is 600 cars, and this, it is expected, will be increased to 1,000 by April. If the earnings of the company continue at the present rate, the present price of 240 for the stock would appear to be very cheap. It must be remembered, however, that the automobile trade is in a boom period. Production of cars in this country, however, is increasing enormously and should soon catch up with demand.

**Steel Common**

E. D. K., Evansville, Wis.—U. S. Steel's earnings are very large. It is expected that the quarter ended December 31, 1915, will show a net of close to $50,000,000. The common stock will probably be put on a dividend basis when the directors meet the latter part of January. Of course, at present prices for the common a great deal of this good news is discounted.

**Federal Dyestuff & Chemical**

G. M., Simsbury, Conn.—Federal Dyestuff & Chemical Co. was incorporated in Delaware with $15,000,000 stock, par value $50. Recently there were sold $1,000,000 6% gold notes convertible into stock to the amount of 150% of the par value of the note. The company's plants are located at Kingsbridge, Tenn., where it owns 500 acres. The company manufactures dyestuffs and picric acid. Orders have been booked for 500,000 lbs. of sulphur black and for other dyes which will absorb the capacity of the plants for some time. At present prevailing prices for the products it manufactures, the company is in a position to make enormous profits, but what it will be able to do when the war ends is a matter of doubt. Competition from foreign dye makers will be very keen.

**Baltimore & Ohio**

G. R., Philadelphia, Pa.—Net earnings of Baltimore & Ohio for the four months ended October 31 were one-third ahead of last year. Prospects for continued large business are good, and if the same percentage increase in net is maintained, the company for the year ended June 30, 1916, should earn about 10% on the common stock. There has been a substantial advance in this issue, however, probably sufficient to discount improved conditions. We think you would do well to be satisfied with a small profit.

**New York Air Brake**

H. H., Springfield, Mass.—New York Air Brake has war orders totaling $20,242,000 and is negotiating for more. There is $10,000,000 capital stock and it is estimated that profits for this year and for 1916 should total close to $90 a share. The company has been very successful in turning out shells to date and expects shortly to be making 10,000 a day. Profits already on hand from war business are said to be beyond the $3,000,000 mark. The stock has had a very considerable advance, however, and may be due for a considerable reaction.

**Southern Pacific**

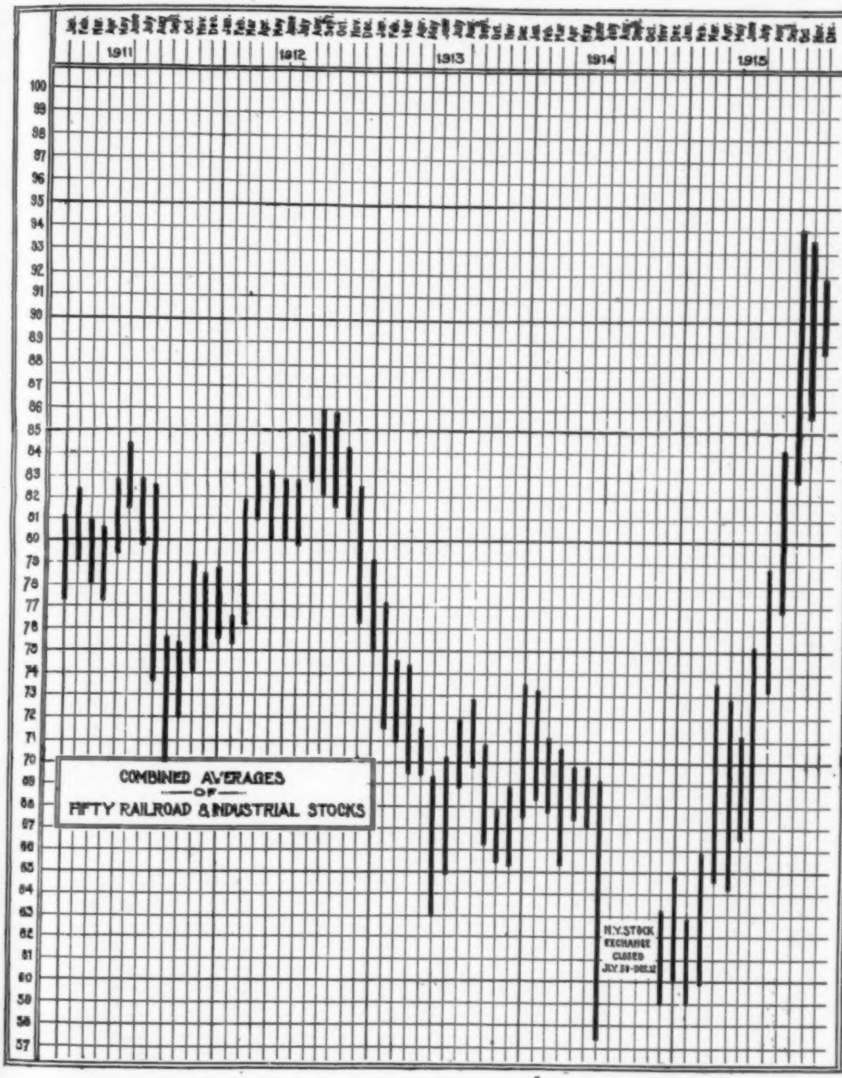
T. E. F., Grand Valley, Pa.—Southern Pacific's earnings are showing very large increases over last year and prospects for expanding business along its lines are excellent. The stock has had a very good advance, however, and we are of the opinion that it is selling high enough at present prices.

**The Investment Inquiry Department bases its opinions upon the facts relating to the intrinsic value of securities and aims to present these facts and opinions to investors. This department cannot undertake to predict price movements of securities. (Very often the price of a security will advance or decline without any material change having taken place in the commercial status of its affairs.) To meet the needs of those who wish trading advice and information on market price-movements we issue the "Trend Letter." We are always glad to furnish information regarding this special service.**

**Obviously, we cannot be expected to forecast changes in price, intrinsic value, etc., which may take place as a result of developments occurring after this opinion is submitted. Those who hold securities or contemplate their purchase should keep posted by reading our Investment Digest regularly.**

**We cannot guarantee the facts herewith given, but they are presented with the utmost consideration to timeliness and accuracy and in accordance with our best information.**

# Combined Average Graphic




This chart shows the swings of the market, as indicated by the combined average prices of fifty railroad and industrial stocks, by months, for the last five years. The heavy black lines represent the extent of the swings.

# Bargain Indicator Showing Comparative Earnings

**NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.**

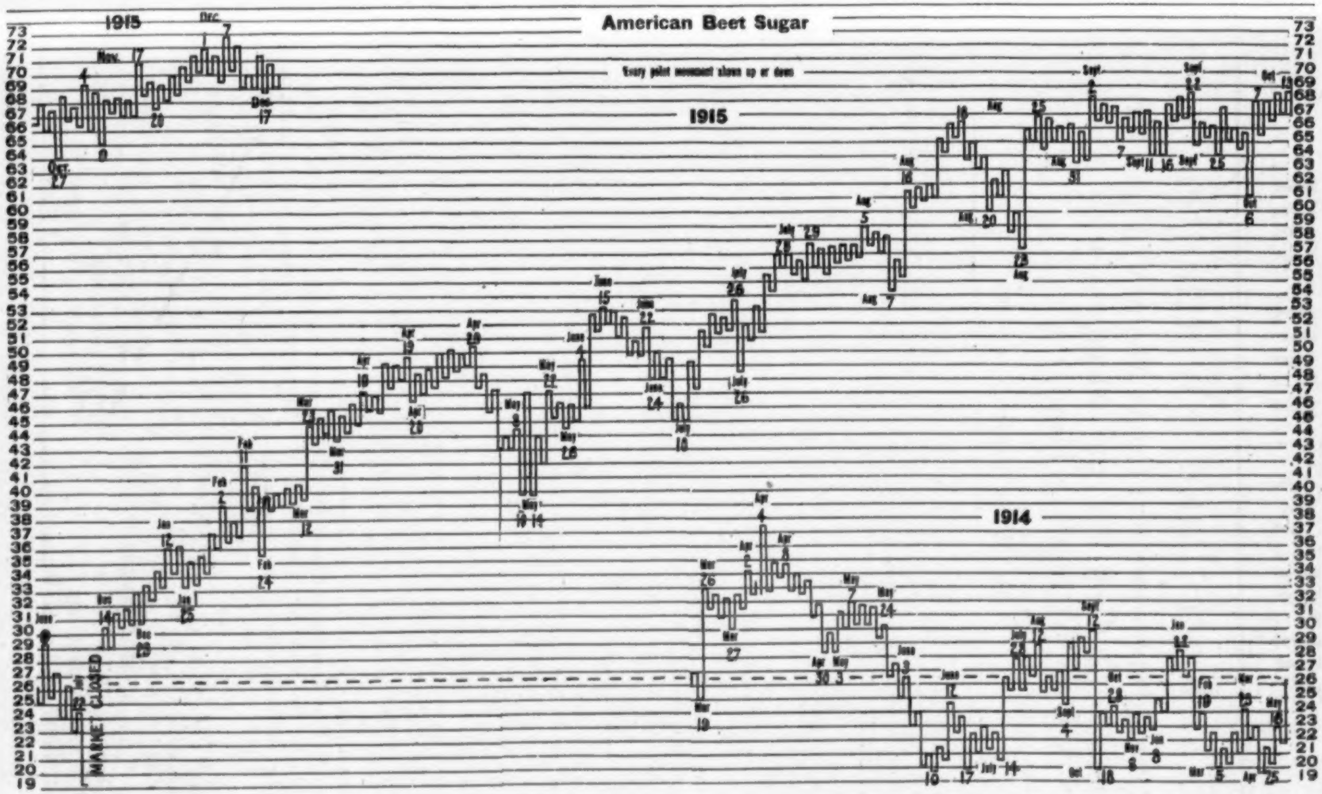
## Railroads

**INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.**

| Railroads | Present div. rate. | Div. yield on present price. | Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909. | 1910. | 1911. | 1912. | 1913. | 1914. | 1915. | Present price. | Earnings last fisc. year on present price. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Colorado & Southern 1st pfd | 0 | 0 | 25.9 | 34.7 | 27.0 | 17.6 | 19.6 | 4.8 | *12.1 | 54 | 22.4 | Earnings improving. |
| Twin City Rapid Transit com | 6 | 6.3 | 9.9 | 10.9 | 11.0 | 11.3 | 13.0 | 12.8 | .... | 96 | 13.3 | |
| Minneapolis & St. L. pfd. | 0 | 0 | —2.4 | 1.9 | 1.5 | —11.9 | 7.7 | —1.0 | 3.2 | 36 | 8.8 | Soo Line denied deal to take over this road. |
| Atchison com ........... | 6 | 5.6 | 12.1 | 8.9 | 9.3 | 8.2 | 9.5 | 7.4 | 9.2 | 108 | 8.5 | Sold 100,000 shares pfd. |
| Brooklyn Rapid Transit.... | 6 | 6.8 | 4.2 | 5.6 | 6.8 | 8.3 | 9.2 | 8.7 | 7.4 | 88 | 8.4 | Earnings show increase. |
| Union Pacific com......... | 8 | 5.7 | 19.1 | 19.2 | 16.6 | 13.8 | 15.1 | 13.2 | 11.0 | 139 | 7.9 | Record earnings. |
| Mo. Kansas & Texas pfd.. | 0 | 0 | 7.2 | 8.0 | 13.6 | 0.1 | 17.8 | 4.1 | 13.4 | 17 | 7.9 | Earnings not improving. |
| Lehigh Valley com (par $50) | 10 | 6.1 | 15.4 | 23.0 | 16.5 | 13.2 | 16.9 | 12.5 | 12.1 | 82 | 7.4 | Nov. gross gained 23%. |
| Atlantic Coast Line com.. | 5 | 4.4 | 9.4 | 12.0 | 12.8 | 12.1 | 12.0 | 10.7 | *8.3 | 114 | 7.3 | Nov. earnings show gain. |
| Norfolk & Western com.. | 6 | 4.9 | 8.7 | 11.6 | 8.9 | 9.9 | 10.6 | 8.9 | 8.8 | 122 | 7.2 | Controlled by Penna. |
| Delaware & Hudson .... | 9 | 5.8 | 12.2 | 12.5 | 12.3 | 13.0 | 14.5 | 10.8 | .... | 154 | 6.9 | $14,451,000 5% 20 yr. ref. convertibles authorized. |
| Southern Pacific ........ | 6 | 5.8 | 10.2 | 13.0 | 9.6 | 7.9 | 9.8 | 7.5 | 7.2 | 104 | 6.9 | Record earnings. |
| Reading com (par $50).. | 8 | 9.5 | 13.2 | 16.1 | 13.8 | 12.5 | 22.7 | 13.4 | 11.7 | 84 | 6.9 | Suit filed against control of Jersey Cen. |
| Minn., St. P. & S. S. M. com | 7 | 5.6 | 8.8 | 15.7 | 5.3 | 11.1 | 14.7 | 7.8 | 8.3 | 125 | 6.6 | Pfd. and com. share above 7%. Contr. by Can. Pac. |
| Great Northern pfd....... | 7 | 5.5 | 8.3 | 8.5 | 8.3 | 10.3 | 11.6 | 9.2 | 8.3 | 127 | 6.5 | Large equity in C., B. & Q. and Canadian extensions. |
| Chesapeake & Ohio com.. | 0 | 0 | 6.4 | 10.0 | 5.1 | 6.8 | 5.2 | 4.7 | 4.2 | 65 | 6.5 | Earnings to be put back into property. |
| Northern Pacific.......... | 7 | 5.9 | 10.7 | 9.0 | 8.2 | 7.9 | 8.7 | 7.9 | 7.6 | 118 | 6.4 | Gains in Nov. gross and net. |
| Del., Lack. & West. (par $50) | 20 | 4.4 | 52.8 | 35.4 | 31.8 | 33.2 | 32.0 | 28.3 | .... | 226 | 6.2 | |
| Canadian Pacific ......... | 10 | 5.5 | 8.6 | 16.0 | 17.3 | 19.6 | 19.6 | 14.5 | 11.3 | 183 | 6.2 | Helped by big crops and war orders. |
| Pennsyl. R. R. (par $50).. | 6 | 5.0 | 11.0 | 9.3 | 8.6 | 9.3 | 8.9 | 6.8 | .... | 59 | 5.8 | Enjoying large freight tonnage. |
| Chicago & Northwest. com. | 7 | 5.2 | 11.4 | 7.7 | 8.0 | 7.1 | 9.6 | 7.9 | 7.7 | 135 | 5.7 | |
| Illinois Central .......... | 5 | 4.6 | 7.4 | 7.1 | 10.3 | 3.2 | 6.0 | 7.4 | 6.2 | 108 | 5.7 | Business very satisfactory. |
| Baltimore & Ohio com..... | 5 | 5.2 | 7.1 | 8.9 | 6.9 | 7.6 | 7.2 | 4.5 | 5.4 | 96 | 5.6 | Record earnings. |
| Louisville & Nashville..... | 5 | 3.9 | 14.3 | 17.3 | 14.2 | 15.9 | 12.7 | 9.3 | 6.8 | 129 | 5.3 | Contr. by Atlantic Coast. Div. reduced from 7%. |
| Chicago Great Western pfd | 0 | 0 | .... | 1.2 | 1.9 | 0.4 | 2.8 | 2.0 | 1.9 | 40 | 4.8 | 1% div. paid Dec. 1. |
| Southern Railway pfd..... | 0 | 0 | 6.0 | 9.6 | 11.1 | 11.3 | 11.8 | 8.1 | 2.7 | 63 | 4.3 | Earnings approaching 1913 levels. |
| Buff., Roch. & Pitts. com.. | 4 | 4.2 | 6.3 | 7.3 | 8.0 | 8.4 | 10.2 | 6.0 | 4.0 | 95 | 4.2 | Div. reduced from 6% to 4%. |
| Erie 1st pfd.............. | 0 | 0 | 6.1 | 12.1 | 11.2 | 7.0 | 15.3 | 1.4 | *2.2 | 59 | 3.7 | Entitled to 4%. Record earnings. |
| N. Y. Central............. | 5 | 4.6 | 7.7 | 6.0 | 5.7 | 2.2 | 5.9 | 4.0 | .... | 110 | 3.6 | Record earnings. |
| Chic., Mil. & St. Paul com. | 4 | 4.0 | 7.2 | 8.0 | 7.1 | 1.6 | 8.6 | 6.3 | 3.3 | 101 | 3.3 | Earnings picking up rapidly. |
| N. Y., Ontario & Western. | 0 | 0 | 2.3 | 2.3 | 2.0 | 0.8 | 2.1 | 1.1 | 1.0 | 31 | 3.2 | |
| Kansas City Southern com. | 0 | 0 | 3.4 | 2.2 | 2.7 | 0.2 | 2.7 | 2.9 | *1.0 | 32 | 3.1 | Earnings improving. |
| N. Y., N. H. & Hartford.. | 0 | 0 | 7.4 | 10.3 | 7.1 | 8.5 | 5.0 | 0 | 1.5 | 77 | 1.9 | Current earnings good. |
| Pitts., C., C. & St. L. com. | 0 | 0 | 9.8 | 6.1 | 7.0 | 10.9 | —2.0 | 0.9 | .... | 84 | 1.0 | Pfd. and com. share above 5%. Contr. by Penna. |
| St. Louis S. W. pfd....... | 0 | 0 | 2.9 | 4.1 | 6.1 | 8.2 | 9.4 | 1.7 | —1.4 | 45 | 0 | |
| Seaboard Air Line pfd.... | 0 | 0 | .... | .... | 7.6 | 3.7 | 7.3 | 6.9 | *0 | 40 | 0 | Earnings gaining fast. |
| Missouri Pacific .......... | 0 | 0 | 1.3 | 3.3 | —6.3 | —2.4 | 1.9 | 0.1 | —1.5 | 5 | 0 | In throes of reorganization. 4% on bonds deposited. |

*Estimated.

## American Beet Sugar




Note:—In previous issues the following charts, showing price fluctuations, have been published: Bethlehem Steel, U. S. Steel, common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Sugar, common, American Car & F'dy, Baldwin Locomotive, Utah Copper, Consolidated Gas and Erie, common.

# MINING AND OIL

## Kerr Lake—Wettlaufer

### What the Advance in Silver Prices Means to These Two Companies—Outlook for the Metal—Market Prospects—New Ores Wettlaufer's Hope

By M. FREDERICK LEWIS

FOR a long time after the outbreak of the war, perils of transportation together with general demoralization of trade with the Far East, prevented the shipping of normal supplies to that part of the world which is the greatest consuming center for silver. There are prospects, therefore, that a large and urgent demand may shortly be expected from this quarter. China hopes soon to standardize her currency and when this is done there will be an immediate demand for a large quantity of silver, probably as much as 100,000,000 ounces. The warring nations are all likely to increase silver coinage.

If silver goes very much higher some mines will undoubtedly start up, that could not be worked at a profit with silver at a lower level, but this new production will not be great enough to have much effect on the total production of the world, which is estimated at about 250,000,000 ounces.

The outlook for silver, therefore, is most propitious. It is one industry in this country that has not yet been greatly stimulated by the war, but the effect of increasing demand should very shortly be felt.

**Kerr Lake**

One of the most interesting of the silver properties is the Kerr Lake Mining Co. This company was incorporated in New York in 1905 with $3,000,000 capital stock par $5. To date over $6,000,000 has been paid out in dividends. It is at present paying at the rate of $1 per year. Through its subsidiary the Kerr Lake Mining Co., Ltd., an Ontario Corporation, the company owns 57 acres of mineralized land in the Township of Coleman, Ontario, and a small five-acre claim near the La Rose mine. Also, a working option on the Kerr Lake Majestic property. The main division of this company has opened up seven shafts, at least four of which are in constant operation. These have been sunk to depths of from 100 to 400 feet.

For the year ended August 31, 1915 the company produced 2,036,963 ounces of silver. Ore sales totaled $893,375 as compared with $1,036,952 the previous year. Total cost of production was 24.86 cents per ounce. After paying $600,000 in dividends there was a deficit of $69,000 as compared with a surplus of $6,785 the previous year. It is estimated by the company that ore reserves as of September 1 were 4,172,400 ounces. This is about two years supply.

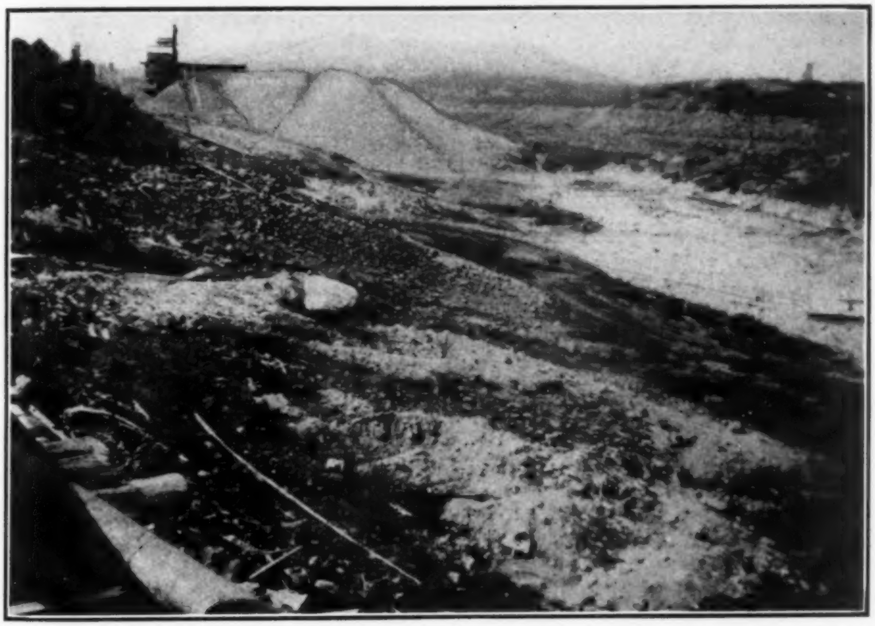
The balance sheet as of September 1, 1915, shows cash on hand $265,777, short term notes $355,154, ore on hand, sold and in transit unsettled for $104,818, a total of $725,749. Figuring silver at 50 cents and cost of production at 25 cents, the ore blocked out should yield profits of $1,043,100, adding this to current assets and the total is $1,768,849 equal to nearly $3 a share. The present price of the stock is about $4.50. Whether as high a value as this is justified depends altogether on how much new ore is developed. Recently a new vein was discovered but it is not known if this will prove to contain an appreciable quantity of ore. At present prices the stock can be considered a fairly good mining speculation. There is at least $3 of value behind it and a good chance that ore bodies may be discovered that will make it very much more valuable.

**Wettlaufer**

Wettlaufer Lorrain Silver Mines Ltd. properties comprise 69 acres located in South Lorrain, Ontario, Canada. In October, 1913, active operations on the property were stopped and company is now only under the expense of pumping and keeping a watchman. There are now no known ore bodies in the mine. The question of the advisability of doing further work in the mine has been thoroughly considered by the management but on account of the barren results obtained from development up to the time of shutting down, and lack of good surface indications on that part of the property not opened underground, it has been definitely decided not to go to the expense of further development work on the present property.

A very considerable amount of examination of new properties has been done in the Lorrain, South Lorrain, Kirkland Lake, Elk Lake and Cobalt districts. No suitable terms, however, could be arranged for properties which offered some prospective value. The examination of properties is still going on and it is the intention not to liquidate.

The balance sheet of the company as of December 31, 1914, showed total assets of $1,583,820 made up as follows: Mine property $1,393,112, and machinery $50,365, current assets $140,343. Liabilities: Capital stock $1,416,590, current liabilities $5,942, profit and loss surplus $161,288. Current assets include $29,680 cash, and $109,912 marketable securities. The liquidating value of the stock including only current assets works out at close to nine cents a share which is about the price the stock is selling for. Of course this does not take into account buildings and machinery at the mine which have a certain value. The company has able management and if in the future it succeeds in acquiring any properties of merit it may be that the company will again enter the field as a producer.



Courtesy of S. M. Wood

**Kerr Lake Basin Showing Kerr Lake Co.'s Mill and Ore Dump in Back**

Osborne Hollow Pumping Station, Sanitaria Springs, N. Y.

# Buckeye Pipe Line Prospects

## What the Standard Oil Dissolution Meant to This Company —Will Dividends Be Increased in 1916?—Investment Position of Stock

By J. W. SMALLWOOD

DISPOSE of your pipe line stocks and reinvest the proceeds in the refining and producing issues of the Standard Oil groups.

This is probably the advice which has most frequently been given by those who have been in close touch with conditions affecting oil securities during the past few years. Certainly anyone who took such action three years ago saved himself from a considerable loss and as recently as last year it would have proved profitable to sell the pipe line stocks.

Frequently, however, when a majority of investors or speculators take the same position in a certain stock or group of stock, prices are quite apt to be carried above or below their actual value and, as in the case of the pipe line securities of the Standard Oil group, there has been such wide-spread liquidation that the question arises as to whether many of these issues have not been depressed to a point below their intrinsic worth. In order to appreciate the present situation as affecting any one pipe line stock or the pipe line group, it is necessary to review the affairs of these companies since the dissolution of the Standard Oil combination.

### After the Standard Oil Dissolution

The year following the dissolution, 1912, was an extremely prosperous one for the pipe line companies, most of them reporting for that period handsome surpluses after payment of very large dividends. Likewise 1912 was a year of great optimism among pipe line shareholders and during that year the highest prices on record for these stocks were established. The year 1913 saw a general falling off in the volume of traffic handled by the pipe lines and this, together with a redivision of tariffs for long haul business, resulted in a considerable

reduction in earnings of most of the companies for the 1913 year. General depression in the oil industry, which set in early in 1914, was soon felt by the pipe lines and when it became evident that, instead of recovering, business of these companies was on a contsantly descending scale, the directors decided on dividend reductions.

In the second quarter of 1914 most of the companies announced their initial reductions in disbursement to shareholders, and Buckeye Pipe Line Co. was among the first to cut its

1914, were the leanest months which have been experienced by the pipe lines at any time since the dissolution and the combined effect of reduced business and lower rates was clearly apparent in the 1914 earnings of this group. Further decline in earning power was reflected in continued reductions in dividend payments throughout 1914 and in some cases during the first half of 1915. Buckeye Pipe Line Co.'s dividend dropped from 10 per cent. in the first quarter of 1914 to 4 per cent. in the last quarter, at which rate it now stands.

**BUCKEYE PIPE LINE, CONDENSED INCOME ACCOUNT**

| | 1914 | 1913 | 1912 |
|---|---|---|---|
| Net income | $2,417,157 | $3,632,581 | $6,000,422 |
| Dividends | 2,800,000 | 4,000,000 | 4,000,000 |
| Surplus | *382,842 | *367,419 | 2,000,422 |

*Deficit.

**CONDENSED BALANCE SHEET**

| Assets | 1914 | 1913 | 1912 |
|---|---|---|---|
| Plant | $15,693,797 | $15,613,307 | $15,690,826 |
| Material and supplies | 63,244 | 59,746 | 55,791 |
| Cash, other investments, accounts receivable | 7,218,825 | 6,889,149 | 6,086,838 |
| Total | $22,975,866 | $22,562,202 | $21,833,455 |
| **Liabilities** | | | |
| Capital stock | $10,000,000 | $10,000,000 | $10,000,000 |
| Depreciation reserve | 3,655,872 | 3,006,199 | 1,790,936 |
| Accounts payable | 294,953 | 148,119 | 267,216 |
| Surplus | 9,025,041 | 9,407,884 | 9,775,303 |
| Total | $22,975,866 | $22,562,202 | $21,833,455 |

dividend rate. The Supreme Court of the United States then announced its decision in the "Pipe Line Cases," making Prairie Oil & Gas Co. , the Ohio Oil Co., Standard Oil Co. of New Jersey and others common carriers, and it soon became evident that the filing of rates by the western lines would necessitate general reductions in tariffs of the other companies. Accordingly a new set of tariffs effective August 1, 1914, were voluntarily filed with the Interstate Commerce Commission showing a large reduction from the previous schedule. As though such a blow was not sufficient, the European war broke out on the same day that the new rates went into effect and owing to the closing down of seaboard refineries for a time traffic over the pipe lines was completely stopped.

The months of August and September,

From this brief review of the pipe line situation it is apparent that Standard Oil stockholders have had plenty of reason for disposing of their pipe line securities. But what is now more important is the present position of the companies and the outlook for the future.

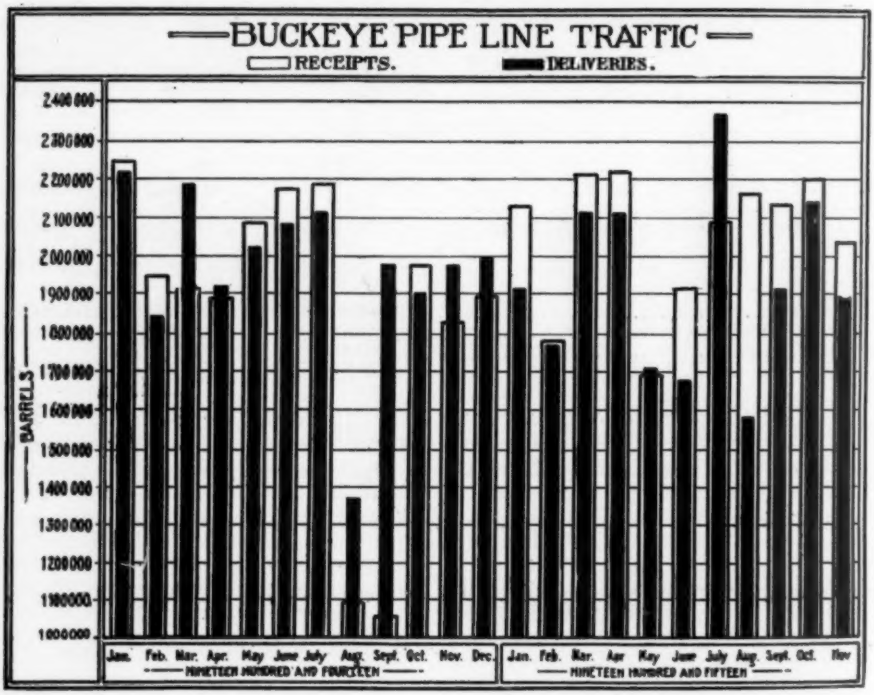
### Buckeye's Financial Position

First consider the financial position of the Buckeye Pipe Line Company. While the company's earnings have shown a steady decline over the past few years, it is to be noted that its financial condition at the close of last year was still very strong. The last balance sheet, as of December 31, 1914, shows a profit and loss surplus of $9,025,041, compared with capital stock outstanding of $10,000,000. This profit and loss surplus means something more than the ordinary,

in that no less than $7,218,825 represented cash on hand, other investments and accounts receivable, compared with $294,953 in accounts payable, the only current liability. "Other investments" included in this account consisted of bonds, notes and other high-grade securities, which probably show an investment return of between 4 and 5 per cent. The company's plant account stood on the books at the close of last year at $15,693,797, against which there was an accrued depreciation reserve of $3,655,-872, making the net value of plant $12,-037,925.

gathering lines, which are used for the purpose of transporting the crude oil from the wells to the trunk lines, which in turn deliver the product to the refineries or to other trunk lines with which they are connected.

A glance at the Buckeye's traffic statistics for the first eleven months of 1915, as compared with the corresponding period of 1914, a graphic of which is published herewith, shows total receipts of 22,579,067 barrels of crude oil, against 20,430,879 in the 1914 period. Total deliveries were 21,175,211 barrels, against 21,607,288 barrels in 1914.




This plant account represents a vast network of pipe lines extending over the state of Ohio, comprising two divisions, one of which is known as the Macksburg division, serving the southeastern Ohio fields, and the other, the Lima division, operating in northern Ohio. There is understood to be a thousand miles of pipe in the trunk line division and more than that mileage of

Considering that the company's reduced carrying charges have been in effect throughout the full year of 1915, while they did not go into effect until August, 1914, it would not appear likely that earnings for the past year would show an increase over those of the preceding twelve months.

The pipe line business has so many complications, however, involving the

distance that oil is carried, whether it is received directly from the wells or from other pipe lines, or whether it is delivered directly to the refineries or to other trunk lines, that it is practically impossible to make any predictions of earnings with any degree of accuracy. It would, however, seem safe to say that the Buckeye's 1915 dividends of 16 per cent. have been earned, with a margin to spare, as the 1914 net earnings were equivalent to more than 24 per cent. earned on the $10,000,000 capital stock.

**Dividend Outlook**

What is of most concern is whether the earnings for the coming year will warrant a continuance of present dividends and whether there is a possibility of dividends being increased again. There seems to be a growing opinion among pipe line men that the 1916 earnings of the pipe line are likely to show a considerable improvement. In this connection it is pointed out that most producers in the Eastern and Central Western fields are now holding their crude oil in anticipation of higher prices and it is believed that with the establishment of increased prices in the early part of 1916 crude oil will begin to come out of storage.

This, of course, should mean increased business and earnings for the Buckeye company, as the profits from its gathering line business are much more than the company derives from carrying oil over its pipe lines from one trunk line to another. In any event, with a continuance of prosperous conditions in the oil industry, the company is assured of a large volume of oil moving over its lines, as on the West it is connected with the Indiana Pipe Line, which in turn receives oil from the Prairie Pipe Line system, and it also receives oil from the Illinois Pipe Line. Oil passing through the Buckeye system goes to the Imperial Oil Company's Canadian pipe lines, Standard Oil Company of Ohio's refinery at Cleveland, and to the Northern Pipe Line at the Ohio-Pennsylvania border. The company also derives revenues from its storage tanks, which are said to have a capacity of about 5,000,000 barrels.

As to the future regulations by the Interstate Commerce Commission, interests who are in close touch with the pipe line situation point out that the pipe line companies' relations with the commission have thus far been very satisfactory, and the general feeling is that there is little likelihood of the Interstate Commerce Commission enforcing any further reductions in traffic.

Around its present quotations, Buckeye Pipe Line stock shows an investment return of 7¼ per cent., with every indication that its dividend rate has struck bed-rock, and with a possibility of dividends being increased with a recovery in earnings, as the Buckeye management has always followed a liberal dividend policy.

# Oil Notes

**Anglo-American Oil.**—DECLARED DIVIDEND of two shillings, which is equivalent to 7% on par value. Earnings expected to show record increase for 1915.

**California Petroleum.**—DECLARED REGULAR quarterly dividend of 1% on pfd. stock. Rumored that this company will be included in a proposed consolidation of the Mexican and California oil properties by Doheny and allied interests. Present output of oil is about 15,000 barrels a day.

**Cosden & Co.**—DECLARED REGULAR quarterly dividend of 2½% on the pfd. and regular quarterly dividend of 2% and an extra dividend of 2% on the com. stock, payable Jan. 10.

**Mexican Petroleum.**—ESTIMATED that sales of oil already contracted for to be delivered in 1916 will yield profits equal to 15% on the common stock.

**Midwest Refining.**—HAS TAKEN option on a three-quarter interest in other properties in Elk Basin, Wyo., oil fields.

**New York-Oklahoma Oil Co.** — DECLARED QUARTERLY dividend of 1½% on pfd., also 4½% to cover accumulated back dividends.

**Pierce Oil.**—STOCKHOLDERS RATIFIED increase of $3,000,000 in stock. New stock is to provide for conversion of $2,000,000 notes recently sold.

**Penn-Mex Fuel.** — WELL KNOWN as Alamo No. 3, is producing such a large volume of oil that storage facilities are inadequate.

# Mining Digest

**Ahmeek.**—DECLARED DIVIDEND of $2.50. Capacity of company's mill has been increased by addition of two more stamp heads. This should increase company's annual output to 7,000,000 lbs.

**Alaska Juneau.**—ORIGINAL PLANS for placing the property on an 8,000-ton daily basis are going forward according to expectations, and there is every reason to believe that final expenditures will not exceed present cash resources. It is expected plant will be in operation early in 1917.

**American Smelting & Refining.**—ESTIMATED COMPANY will earn between 10% and 15% on com. stock in 1915. Arrangements are being made to reopen smelter at Monterey, Mexico. Prospects are that 1916 will be a record year.

**American Zinc, Lead & Smelting.**—For TEN MONTHS ended Oct. 31 surplus available for dividends was $3,642,217. Estimated that Mascot Mines of company will produce 45,000,000 lbs. of zinc in 1916 as compared with 22,444,000 lbs. for the 10 mos. ended Oct. 31. Cost of producing zinc this year estimated at 4c. a lb.

**Anaconda.**—DECLARED DIVIDEND of $1.50 as compared with $1 three mos. ago.

**Arizona Commercial.**—PRESIDENT SMITH says that the raise from the twelfth level is up 90 feet or nearly to the eleventh level, with a fine showing of ore running 8% copper.

**Butte & Superior.**—BREAKING all records with output at the rate of 150,000,000 lbs. per annum.

**Calumet & Hecla.**—COPPER REPORTED sold up to April 1.

**Chino.**—NOVEMBER PRODUCTION 6,939,006 lbs. of copper, compared with 3,047,694 previous year.

**Copper Range.**—PRODUCTION of properties in 1915 will be between 54,000,000 and 55,000,000 lbs. of copper. This compares with 33,000,000 lbs. in 1907, the largest previous production for any one year.

**First National.**—UNDERSTOOD that Guggenheim holdings of 80,000 shares have been optioned at $5 a share to T. W. Lawson. Merger talk involving First National and Trinity Copper is current.

**Granby Consolidated.**—DECLARED DIVIDEND of $1.50 a share. Anyox smelter handled 60,000 tons of ore in November.

**Greene-Cananea.**—DECLARED QUARTERLY dividend of $1. The plant is running nearly at capacity.

**Guggenheim Exploration.**—DISTRIBUTION of assets to be made about Jan. 15. Shareholders of record Dec. 31 shall be entitled to receive for each share: (A) 0.7277 share of Kennecott Copper or $36.387 in cash; (B) 0.1172 share of Chino; (C) 0.0833 share of American Smelting & Refining common; (D) 0.1850 share of Ray Consolidated.

**Inspiration.**—WILL BE treating 14,000 tons of copper a day in February, which means an annual production of close to 125,000,000 lbs.

**Island Creek Coal.**—EXPECTED to show profit of $8 a share in 1916.

**Kennecott Copper.**—PRODUCTION has been running at rate of 10,500,000 lbs. of copper a month. At 21c. a lb. this would mean earnings of $8 a share per year.

**Mohawk Mining.**—ESTIMATED EARNINGS in 1915 will reach $1,600,000 net.

**Nipissing Mines.**—DECLARED REGULAR quarterly dividend of 5%.

**Osceola Consolidated.**—DECLARED QUARTERLY dividend of $3.

**North Butte.**—DECLARED QUARTERLY dividend of 50c.

**Phelps, Dodge.**—BOROUGH MOUNTAIN COPPER CO. will start production early in 1916. Savannah Copper Co. has been taken over for $700,000 cash. This property adjoins the Borough Mountain mines.

**Shannon Copper.**—NORMAL PRODUCTION is 12,000,000 lbs. and costs about 12c. With 22c. copper the company could earn about $3 per share. Mine has been shut down for 3 mos. on account of labor troubles. Hopes for compromise look brighter.

**Tamarack.**—PRODUCING COPPER at rate of 7,000,000 lbs. per annum. Earnings on 22c. copper are at rate of $8 a share per annum.

**Tennessee Copper.**—DECLARED REGULAR quarterly dividend of 75c.

**U. S. Smelting, Refining & Mining.**—DECLARED DIVIDEND of 87½c. on pfd. stock. Dividends on common were resumed by a payment of 75c. Last dividend on common, 75c., was paid in July, 1914.

# Mining Inquiries

### Alaska Gold

L. P., St. Louis, Mo.—Alaska Gold has recently encountered some low-grade ore which has prevented the company from increasing its output as had been anticipated. This should, however, only prove to be a temporary matter. The company has excellent management and they express optimism as to the future of the property. We think, however, that you would do well to be satisfied with a reasonable profit.

### Great Northern Ore

J. C. P., Waterford, N. Y.—Great Northern Ore has very valuable iron ore properties. As there is a great deal of development work to be done, however, it is not likely that the company will be a large dividend payer in the near future. We think the stock is an excellent one to hold for a long pull, but prospects of an immediate rise of any proportions do not look particularly bright.

### Braden-Kennecott

K. N. Cazenovia, N. Y.—Braden stockholders were given the opportunity of exchanging their stock for the stock of Kennecott Copper on the basis of 3⅓ shares of the former for 1 share of the latter. The stockholders of Braden Copper have the privilege of deciding individually whether to make this exchange or not. A stockholder desiring to exchange his stock should deposit it with the Chase National Bank, New York City. Over 96% of the stock has already been deposited.

### Utah Copper

G. M., Berlin, N. H.—Utah Copper, we believe, has advanced sufficiently to pretty nearly discount its increased production and earnings. When copper metal is selling at an abnormally high price, it is generally not advisable to purchase the copper stocks, as big operators at that time take the opportunity of distributing stocks to the public.

### Tennessee Copper

S. L., Alliance, Ohio.—Tennessee Copper, with copper metal at its present price, is earning from its copper production alone at the rate of about $6 a share per annum. It is expected that the contracts the company has for the sale of its sulphuric acid will yield profits over the next year of approximately $12 a share. The company is in strong financial condition and able to pay out these profits in dividends if it so desires. The stock looks like a fairly attractive speculation at present levels.

### Tonopah Belmont

R. B. S., Philadelphia, Pa.—Tonopah Belmont's ore reserves at last report consisted of 521,117 tons of ore, wholly or partly proven. Net earnings for 1914 were $4,081,016 as against $3,060,214 in 1913. There is no official information as to just how much ore Tonopah Mining has in sight. Ore in the original workings has been somewhat depleted, but the company has acquired new properties in other districts, and they are said to promise well.

### U. S. Reduction & Refining

R. G., N. Y. City.—U. S. Reduction & Refining Co.'s business consists of smelting ores. Last April the company went into receivers' hands. It is understood that the business of this company has shown improvement lately, but there is no official information regarding same, and until something more definite is known, as to its present situation, we are of the opinion that it is a good stock to leave alone.

### International Nickel

A. B. M., N. Y. City.—International Nickel is a good long pull investment. The company is now making at the rate of 32% per annum and only one-quarter of its product—copper—is subject to market fluctuations. There appears to be considerable margin for advancement in the price of the stock, since, on its present dividend and earnings, it is selling considerably under the parity of mining stocks in the same class. We think you would do better to purchase the stock selling on the N. Y. Stock Exchange.

### Granby

W. D. R., Cleveland, Ohio.—Granby's stock is now on a 6% basis, and this can be considered reasonably secure for some time to come, as the company has 24,000,000 tons of ore reserves and can produce enough copper to enable it to earn 10% on the stock, with the metal selling at 15c. With copper at 20c., it can earn approximately 20% on the stock.

### Federal Mining & Smelting

J. R. D., N. Y. City.—Federal Mining & Smelting has small ore reserves—only about two years' supply. There is a possibility, of course, of more being developed. The preferred stock paid 7% from 1903 to March, 1912, when the rate was reduced to 6%. In August, 1914, it was reduced to 4%, its present rate. For the year ended December 31, 1914, 6½% was earned on the preferred stock. The company's earnings have recently improved, owing to the prevailing high price of metals. The stock has had a good advance from the low this year, which was $8 for the common and $20 for the preferred, in March. In view of the small ore reserves, we consider it a rather risky speculation.

# Oil Inquiries

**California Petroleum**

J. S., St. Louis, Mo.—California Petroleum com. is rather speculative. The company is doing very much better because of the present high prices for oil, but the past record of the company stamps it as one that might well be left alone, especially as its financial position is not over-strong.

**International Petroleum**

W. R. B., Brooklyn, N. Y.—The International Petroleum Company, formed last year for acquiring control of several big companies operating in Peru, is controlled by the Imperial Oil Company, Ltd., of Canada, which in turn is controlled by the Standard Oil Company of New Jersey. There is unofficial talk of dividends this year, but in view of the well known conservatism of Standard Oil interests, it seems more likely that the earnings will be put back into the property for a while longer at least. Earnings are said to have been running large on the stock this year, and the improvement in oil prices ought to help the market price if that improvement continues.

**Anglo-American**

J. B., New York City.—Anglo-American Oil has $973,330 stock outstanding, par $5.00. This company is a distributer of oil, not a producer. It markets a large part of oil and oil products consumed in the United Kingdom. The company owns ocean receiving stations and upwards of 600 interior receiving stations in Great Britain, also a fleet of ocean tank steamers. Earnings of the company for the two years ended December 31, 1914, were in excess of $8,500,000, or at the rate of 44½% a year on the stock. Current earnings are said to be running far ahead of last year. Anglo-American Oil is an English corporation and is, therefore, subject to a British war tax. Until the company knows how much this will be, it will probably adopt a conservative dividend policy. The balance sheet as of December 31, 1914, shows the company to be in a very strong financial position, with surplus and reserve account of $8,747,995. We consider the stock as an excellent speculative possibility, although it would be just as well not to purchase until the war tax question is settled.

**Victoria Oil**

H. S. L., New York City.—Victoria Oil was incorporated April 1, 1914, with a capital stock of $2,000,000, par value $1. It owns 20,000 acres of oil leases and has 8 producing wells in Eastern Ohio. The company is preparing to drill 200 wells in addition. This property is along the line of the Buckeye Pipe Line and can thus conveniently distribute its product. There are some wealthy men interested in the company and we believe the management to be reliable. There is no definite information as to whether or not the Standard Oil people are interested in acquiring control of this company. It is difficult to decide whether its present prices is justified or not, as it is not yet known how big a producer it will turn out to be. The stock must be regarded in the nature of a speculation. The company's new refinery is about completed. It has a capacity of 2,000 barrels of oil per day.

**Union Tank Line**

L. H., New York City.—Union Tank Line owns and operates 12,000 tank cars which it leases to shippers of crude and refined oil. Earnings for the year ended December 31, 1914, were at the rate of 5.7% compared with 10% the previous year. Earnings the current year are said to be excellent. As of December 31, 1914, the company had net quick assets of $1,824,438. The Union Tank Line is urging a higher mileage rate from the railroads for the use of its cars and if it should receive a favorable decision, the stock will, in all likelihood, work higher. The stock has recently had a substantial advance, sufficient, we think, for the time being.

**Standard Oil of New York**

B. W. G., Portsmouth, N. H.—Standard Oil Co. of New York has $75,000,000 stock, par value $100. The company has extensive and modern refineries situated in New York City, Brooklyn, Buffalo, etc. It has a fleet of oil carrying ships and barges. In the last two years the company has gone aggressively after export business. For the year ended December 31, 1914, earnings were at the rate of 10.3% on the stock, as against 21.6% in 1913. This reduction was largely because of the interruption of the company's export business after the outbreak of the war. It is understood that the company's current business is running as large as it ever has in its history. The financial position of the company is very strong. The cash and accounts receivable amount to over $20,000,000, as against accounts payable of $12,600,000. Profit and loss surplus January 1, 1915, was $15,471,958. The prospects of the company's further enlarging its export business are excellent. The immediate outlook for the stock will probably depend on how the present demand for oil keeps up. There is big value behind the stock and it can be regarded as a good business man's investment.

**Pierce Oil**

W. P., Englewood, N. J.—Pierce Oil for the year ended December 31, 1915, promises to earn about $750,000, equal to 7% on its $10,600,000 stock, par value of which is $25. Earnings for 1916, if the price of oil keeps up, will be very much larger, but just how large they will be is difficult to estimate now.

# TRADERS' DEPARTMENT

## Stocks Which Are High Enough

### Timely Hints and Words of Warning for the Investor and Speculator—Securities Which Have Discounted New Conditions

By WILLIAM T. CONNORS

FOR SOME classes of stocks the 1915 bull market was the most remarkable ever seen in this country. Price advances that would have been considered sensational in any ordinary market became the regular order of the day, so that they almost ceased to attract attention.

A high plane of prices has been established for these stocks. In many cases the rise has been amply warranted, in some not fully warranted; but in connection with all these stocks the most pertinent question now is:

Are they high enough?

#### The War Stocks

The issues that come most naturally to the mind in connection with the big price advances of 1915 are the various "war stocks." These securities had wonderful advances and they have held their own remarkably well. Are they now high enough?

It seems to the writer that most of the war stocks are already high enough. After all, the war is a temporary matter. We may not be able to see any immediate indications of peace, but nevertheless we know that Europe cannot go on at its present mad pace indefinitely.

Perhaps war orders may continue during 1916 on the same scale as in 1915, and perhaps not—for Europe is straining every nerve to supply its own military needs so far as possible. But even if there is no let-up in orders, and if profits from those orders are as large as expected, those profits have been pretty well discounted in present prices.

*Westinghouse,* for example—one of the best of the war stocks—has had a conservative and well maintained market. But a price of $70 for each $50 share, paying $3 dividends yearly, means that the return on the investment is only 4.3 per cent. Very likely there may be a special distribution of war profits to stockholders, but after the war there is no special reason to anticipate that Westinghouse will be anything more than a steady 6 per cent dividend-payer. A price of $70 discounts, for example, two special dividends of $10 (or 20 per cent) each from war profits.

The position of most of the other stocks is similar.

*Allis-Chambers* preferred at 85 has discounted, we may say, a 6 per cent. dividend basis. In 1913 earnings on this issue were at a rate of about 7 per cent. In 1914 there was a deficit. Before the war the price was around 40. The company's war profits are unknown, but they would have to net $8,000,000 for the stock to warrant the present price.

*American Car & Foundry,* present price about 80 against 40 to 50 before the war; dividends 2 per cent yearly, has discounted a special dividend of say 35 per cent., or $10,500,000. The company has some war orders but there is no reason to suppose that they will warrant anything like such a dividend. A part of the advance in the price is due to the generally better outlook for equipment companies, but even that seems to have been pretty well discounted by the price.

*American Locomotive* at 70, no dividend, was selling at 30 to 40 before the war. War profits estimated at $10,000,000, or 40 per cent on the stock. Present price may be justified, but it

is hard to see any reason for a further advance.

*American Steel Foundries,* price about 63, no dividends now but 2 per cent paid in 1914 and in 1913, none in 1912. Price before the war 30 to 40. War business unknown, but price discounts special dividend of about $5,000,000, which does not appear in the least probable.

*Baldwin Locomotive* at a price of 120, against 40 to 50 before the war, discounts a special dividend of about $15,000,000. Dividends of 2 per cent annually were paid before the war but were passed in 1915. Has big war orders which are apparently discounted by the big advance in the price.

*Crucible Steel* is in a peculiar position. The stock, now worth 75, had been kicking around in the Pittsburgh exchange for years at about $10 a share. The company's own war orders might yield a profit of 20 per cent on the stock; but in addition to that, it has almost a monopoly of the manufacture of a kind of steel that is needed by other war manufacturers. Its profits, therefore, are purely guesswork. The present price may or may not be warranted, but the stock is a gamble.

*Distillers,* near 50 now, sold at 10 to 20 before the war, no dividends. Present price discounts about $11,000,000 war dividends, which are very doubtful.

*International Mercantile Marine* preferred is selling close to 80 and may be worth it, in spite of the fact that it sold as low as 3 in 1915. Ocean rates have been tremendous and will probably remain high for a time after the war is over, owing to the extensive destruction of shipping. At the same time, most of the boats owned by this company are out of date and it has never before been a money-maker. To say the least, 75 is a speculative price.

*New York Air Brake* at 149, against 50 to 80 before the war, discounts about $7,000,000 in dividends. Has paid 6 per cent since 1913, before that 3 per cent. Not at all likely that this company's war orders will yield as large a profit as the price now assumes.

*Pressed Steel Car* is now selling at about 65. No dividends since 1904, except 3 per cent paid in 1914 out of 1913 earnings. It has always been considered a company that could make money only in exceptionally good times and the price in recent years has ranged from 30 to 40. It has some good war orders, but hardly enough to yield the $4,000,000 special dividends now apparently included in the price. On the other hand, if the railroads get on their feet again they will have to have many new steel cars.

*Tennessee Copper* around $65, against about $35 before the war, discounts something like $5,000,000 of war dividends. It pays $3 a year, or 12 per cent. Its war profits are unknown but are undoubtedly large on its output of sulphuric acid. Present price may be justified.

*U. S. Industrial Alcohol* now sells above 130 against 15 to 20 in 1914. No dividends. Price discounts over $13,000,000 profits applicable to stock. This looks very large but exact position of the company is unknown.

*American Telephone & Telegraph* stock, reviewed in the December 25 issue of this magazine, is another that appears to be high enough. Every holder of the stock should read that article.

*American Hide & Leather* preferred at 56 is about double its price before the war. It has paid no dividends since 1905. Its business has been benefited by the war, but probably not to the extent of a special dividend of $3,000,000 to $4,000,000, which would be indicated by the price.

### The Motor Stocks

There are also a good many stocks outside of the war order class which look high enough at current figures. Among these are the various motor issues. General Motors at 500 and above has set the pace for these stocks and the optimism of the public has done the rest.

Very high figures on current earnings are in circulation. The following estimates of the year's earnings are taken from a recent news item:

| | |
|---|---|
| General Motors | 120% |
| Willys-Overland | 55% |
| Studebaker | 30% |
| Maxwell | 15% |
| Chevrolet | 20% |

Such earnings if continued would amply warrant present prices—but can they be continued?

### The Railroads

The railroad stocks, not having participated in the advance to the same degree as the industrials, are still on a relatively lower level of prices. The question whether the railroad list as a whole is high enough may be open to argument. If we compare the yield of the best rails with the yield on bonds, we are likely to conclude that many of them are high enough; but if we compare it with current rates of interest on commercial paper, they are not high enough. The situation is peculiar, owing to the heavy sales of our bonds and railroad stocks from Europe, which are not yet over.

There are some railroad issues, however, which look high enough from any point of view. Take New Haven, Chesapeake & Ohio, and Erie common. All these stocks have every appearance of being a long way from dividends, yet they are selling at prices that would imply definite dividend prospects. Chesapeake at 63, New Haven at 77 and Erie common at 43 appear to be quite high enough for non-dividend stocks, in view of the present only moderately good railroad outlook. All three are good stocks and will come into their own in time; but a great deal more money will have to be applied to all three properties before the conservative managements which control them will be likely to declare dividends. Prices will probably have many downs as well as ups before that happy day arrives.

A good demand for copper metal is assured while the war lasts and perhaps for a time after it is over. With the metal at 21 cents, earnings per share on the principal copper stocks are naturally very large, as shown in the following table:

### REPRESENTATIVE COPPER STOCKS

| | Production Pounds | Cost per Lb. Cts. | Earnings Per Share | Pres. Divs. |
|---|---|---|---|---|
| Anaconda | 270,000,000 | 9 | 14 | 6 |
| Calumet & Arizona | 62,000,000 | 8 | 12.50 | 5 |
| Calumet & Hecla | *72,000,000 | 9½ | 83 | 60 |
| Chino | 75,000,000 | 7 | 12 | 4 |
| Copper Range | †38,000,000 | 8 | 12 | 3 |
| Granby | 45,000,000 | 11 | 24 | 6 |
| Miami | 48,000,000 | 8½ | 8 | 5 |
| Nevada Consolidated | 70,000,000 | 8 | 4.50 | 1.50 |
| Ray Consolidated | 65,000,000 | 9 | 5 | 2 |
| Utah Copper | *175,000,000 | 7½ | 14.50 | 6 |

*From own operations.
†Paid one dividend in 1915.

Such earnings warrant good prices for the stocks. It is well to remember, however, that the time to sell copper stocks is when the metal is high.

With copper above 20 cents, the investor who takes his profits on sharp advances in the copper stocks is pretty sure to find an opportunity to repurchase to advantage later.

There is no necessity for becoming a bear on the market as a whole; but the general plane of prices is no longer low and there are many issues which the conservative investor should now avoid. Time is long and prices are fleeting. The country is not yet so prosperous that the stock market cannot furnish us sharp breaks on which to buy, if we have the patience to wait for them.

# How to Trade in Odd Lots

## Different Methods of Investing and Trading—"Diversification" and "Averaging"—The "Extra Eighth"—Future for the Odd Lot Trader

By MALCOLM ARMSTRONG

*(Concluded.)*

IN the previous issue the general theory of odd lot trading was discussed together with the different methods of approaching the matter. It was pointed out that the long pull operation is the most nearly ideal method for trading in odd lots, since the "extra-eighth" which runs constantly against the buyer and seller of less than 100 shares, amounts to be very considerable total if trades are frequent.

The out-and-out investor, i. e., the person who buys stocks or bonds and locks them up, can hardly be classed as a trader, although if he happens to be a shrewd investor he will never cease to study his properties and will not fail to take advantage of favoring opportunities to sell his securities at substantial profits. It is as important to know when to sell as when to buy.

### Methods of Trading

An odd lot investor or trader may either buy his securities outright, carry them on margin or take advantage of the partial payment plan. In the first instance the buyer merely sends his check plus commissions and taxes, to his broker and the latter buys the stock or bonds, has them transferred into the client's name, and sends them to the latter when the transfer is completed. Slowness in delivery is apt to mean that something is wrong. Where a concern fails to forward stock within a fortnight after the order is executed, the customer should demand a satisfactory explanation. Failure to receive the stock or an adequate reason for the delay in delivery ought to be a danger sign. Don't be lulled into a sense of false security by the stereotyped "Your stock is in process of transfer." THE MAGAZINE OF WALL STREET recently advised a subscriber in a case where the latter had been waiting six months for delivery of some oil stock. The subscriber finally got his stock, but three weeks later his "bucket shop," for it cannot be dignified by the name of brokerage house, failed with heavy liabilities and negligible assets.

### Partial Payment Plan

The idea of the partial payment plan is well indicated by the name. It is nothing more or less than buying securities on the installment idea. There are a number of excellent firms which feature this sort of business. The preceding section of this article gave a typical table showing initial payments required on stocks and bonds selling at different prices, and the minimum of monthly payments.

There is no difference in buying securities on the partial payment basis than there is in buying a house or furniture or an automobile on the installment idea, except, of course, the difference in the nature of the things purchased.

When you buy a house on the partial payment plan you make a cash deposit and monthly payments and while you are paying for your property you have the use of the house. When you have completed the payments the title passes to you. So it is with partial payment securities. While you are making the payments you do not have the actual possession of your securities, but you have the *use* of them. If they declare dividends, or issue new stock, the dividends and rights accrue to you. Should the market advance you can sell your stock or bonds just as if they were in your actual possession.

The great success of the partial payment plan is because it enables a saver to become an investor on comparatively little capital. Moreover it supplies a most forceful *incentive* for saving.

One can buy any amount of stock or

bonds, from one share of the former and $100 bonds, upwards.

### The Theory of Diversification

Perhaps one of the best arguments in favor of odd-lot investing or odd-lot trading, at least from the viewpoint of the possessor of small capital, is that it permits of diversification of investments and holdings. This is a very important matter. Nothing is certain in this world, not even savings banks or government bonds.

Wall Street never grows weary of repeating the adage, "Never put all your eggs in one basket," and time fails to diminish the force of that precept. Spreading one's money enables the man of limited means to become an investor and a long pull trader at the same time. With $150 he can buy on the partial payment plan

2 shares of some first class railroad stock.
2 shares of good industrial stock.
3 $100 railroad or industrial bonds.

Supposing he decides to buy one share of Southern Pacific, one share of New York Central, one share of American Locomotive preferred, one share of American Beet Sugar preferred and three St. Paul convertible 4½ per cent. $100 bonds. The table herewith shows the price at this writing of those securities, together with the initial payments required, dividend rates and the monthly payments necessary:

**DIVERSIFIED INVESTMENT**

| Stock | Cost | Dividend Rate | Initial Payment | Monthly Payments |
|---|---|---|---|---|
| 1 share Southern Pacific | 104 | 6% | $30 | $5 |
| 1 share N. Y. Central | 110 | 5% | 30 | 5 |
| 1 share American Beet Sugar pfd | 103 | 5% | 30 | 5 |
| 1 share Amer. Locomotive pfd | 101 | 7% | 30 | 5 |
| 3 $100 St. Paul conv. 4½'s | 309 | 4½% | 30 | 5 |
| | $727 | | $150 | $25 |

Deducting the original payment of $150 from the total cost of the stocks and bonds, $727, leaves $577 to be paid for in monthly installments. At the rate of $25 a month the purchaser would become the possessor of these securities in less than two years' time. On the unpaid balances he would be charged the current rate of interest, which averages about 6 per cent., but the dividend and interest returns on his securities would nearly offset interest charges. And it must not be forgotten that as payments are made the interest charges steadily decline, and net returns in the way of dividends and bond interest increases proportionately, so that before long more would be coming in by the dividend route than was being paid out in interest charges.

### Buying on Margin

A third method and one which the odd-lot trader is more likely to follow is the margin method. Most firms will not carry less than ten shares on margins, and the usual marginal requirements are about as follows:

$5 a share on stocks selling at less than $25 a share.

$10 a share on stocks selling from $25 to $100.

$20 a share on stocks selling from $100 to $200.

### Averaging

Another advantage of the odd-lot is that it permits "averaging," i. e., the purchase of a second amount of stock if the first purchase shows an unexpected depreciation. One may buy, for instance, ten shares of Southern Pacific and then the whole market, through some outside influences which have no direct relation to Southern Pacific, may sag violently. Southern Pacific is as good as ever, but declines, say ten points, in sympathy with the rest of the market as at the time of the Lusitania sinking. The odd-lot trader then buys ten more shares of Southern Pacific at ten points under the first price, thus "averaging" or reducing the cost of his first block of stock by five points.

**Commissions, Taxes, Interest**

Commissions on odd-lots are at the same rate as on full lots of listed stocks, being 1/8 of 1 per cent. or at the rate of $12.50 per hundred shares, and $1.25 per ten shares. The minimum charge for any one transaction is usually $1. Under the New York State Stamp Tax law the seller is charged two cents per share on sales of all stocks having a par value of $100, and the Federal Government has also placed a similar tax on such transactions. Under the law brokerage firms are not allowed to pay these taxes.

Some firms charge a flat rate of 6 per cent. for interest and others charge the current rate of the money market. The money market varies from time to time, but a 6 per cent. average is a good basis to figure upon. In cases where a client has a large credit balance he can usually make somewhat better terms in regard to interest charges. The "extra eighth" has already been explained. It may perhaps seem a hardship that the odd-lot trader should be obliged to submit to paying an eighth more and receive an eighth less on all his trades, but it must be remembered that ten 10-share transactions are equivalent in volume to only one 100-share transaction, and that each small transaction requires just as much energy spent in execution, postage and bookkeeping as a 100 or a 1,000-share trade. Sometimes it seems as though the man with little means is penalized throughout life because he is not wealthy, but in this case an examination of the machinery of the execution of odd-lots shows why the extra-eighth is necessary and justified.

**Execution of Orders**

When a broker receives an odd-lot order he turns it over to the specialist or odd-lot "dealer." The latter is in fact a "wholesale" dealer in odd-lots and from the daily volume of orders his house receives, round lots of 100 shares are constructed. There are several large firms known as "odd-lot" houses whose business is exclusively the marshalling and handling of brokers' odd-lot orders. In the influx of odd-lot buying recently, these concerns were nearly swamped by the volume of business and their clerks for days were able to snatch but a few hours of sleep each night on cots which had been moved into their offices. The odd-lot dealer, not your broker, is the one who gets the extra eighth and if it were not for the odd-lot dealer the odd-lot business could not be conducted on its present large and satisfactory basis.

**Future of the Odd Lot Business**

That odd-lot business is bound to continue to increase seems almost self-evident. More small investors each year are coming to realize that they are entitled to their share in the development of great enterprises and that the wide-awake person in these times ought not to be satisfied with nominal interest returns on his capital. America has still its greatest growth ahead. The companies listed on the New York Stock Exchange return to their stockholders between $140,000,000 and $150,000,000 monthly. The capitalist, no matter how small, who fails to obtain his little portion of this tremendous monthly distribution is one who fails to see or neglects his opportunity.

# Technical and Miscellaneous Inquiries

**Daily Transactions**

A. B. H., St. Paul, Minn.—There is no record published, that we know of, giving the daily volume, opening, high, low and close of the various stocks listed on the New York Stock Exchange by months. The only way we know of that you can get this information is to consult the daily files of any newspaper that publishes the daily quotations. The *Commercial & Financial Chronicle*, Front, Pine and DePeyster streets, N. Y. City, a weekly publication, gives the daily high and low price of all stocks listed on the N. Y. Stock Exchange, together with the total transactions for the week. Files of this publication are kept by most banking houses. If you can get access to one of these, you will probably find the information you want in convenient form.

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**Canadian War Tax**

C. L. W., Baltimore, Md.—There is no special war tax now in force in Canada on

income or securities of Canadian citizens. A special war tax, however, was put into effect. The principal items were a 2c. stamp on checks and notes and an extra cent postage.

### Investor, Long Pull Operator and Trader

V. R. W., Chicago, Ill.—By an investor is generally meant one who puts his money into securities which he intends to hold for an indefinite period, with the idea of getting a steady income therefrom. With an investor safety should come first, return on the principal second, and possible enhancement of the principal third. A long pull operator is one who purchases a security because he believes in the future prospects of the property it represents and that it will materially increase in value ultimately regardless of what the daily fluctuations in price may be or one who foresees and acts on probable big swings like 1914-1915. A trader is one who tries to make money by catching the temporary fluctuations of a security or the general market.

### Distributing Risk

K. M., Gloucester, Mass.—You have the right idea in distributing your investment over a number of issues rather than concentrating on one or two. You are getting a very good return on your money, but you must remember that mines do not last forever and that part of the dividends received from the mines should be used to amortize the principal.

### Assessments and Short Sales

I understand that a short seller of stock who is short at the time the stock sell ex-dividend, must pay the dividend. By the same reasoning would not a "short" receive an assessment which was called for at the time he was short of the stock?—C. F. W., Athens, Ohio.

If you are short a stock which is assessed, your account should be given credit for the amount of the assessment. In other words, if you are short of the stock at $100 and the stock is assessed $10, you can consider yourself short $110, and if you cover at $100 your profit will be $10 a share less commissions.

### The "Extra Eighth"

It is my understanding that orders on odd lots of stock on the New York Stock Exchange are executed at one-eigth either way from the next sale quotation. Am I correct in this? To illustrate: I have an order to buy a stock—ten shares—at 74, and the next quotation after 74¼ was 72. Am I not entitled to have my order filled at 72⅛?—G. W., Cincinnati.

Executions of odd lot orders on the New York Stock Exchange are not necessarily made on 100 share transactions, although they are generally executed in that way. The price paid is usually ⅛th more than the 100 share quotation, although sometimes on more inactive issues ¼ is charged.

If you had instructed your broker to purchase your stock on a 100 share sale, then he should have got it at 72⅛, but if your order did not specify this, it was proper for him to buy your stock at 74 the moment it was offered at that price.

### Low-Priced Stocks

Are there not better chances of making money in buying low-priced stocks than higher priced issues?—M. B. G., Big Rapids, Mich.

Low-priced stocks very often offer good opportunities for making profits, but it must be remembered that very many entirely worthless stocks are included in these low-priced stocks, and it is necessary to use great discrimination, and to have accurate information on the prospects of the company. A great many stocks have been listed on the Curb recently and in the majority of instances they have advanced from their initial quotations, but this has not universally been the case, as some of the stocks are now selling well under their initial price.

### Investment Notes

The Bankers Trust Company of Buffalo has declared its regular quarterly dividend of 1½ per cent., payable on and after January 1. At the same time the board authorized the transfer of $50,000 from undivided profits to surplus account, making the surplus $250,000.

### Investment Department

Renskorf, Lyon & Co. have decided to open an Investment Department to advise clients in regard to the best investments suited for particular and individual purposes and to supervise present investments of —clients.

### New Bond Firm

Jansen Noyes, Lawrence Chamberlain, J. Dugald White and Clifford Hemphill have formed a partnership under the firm name of Hemphill, White & Chamberlain to do a general bond business, with offices at 37 Wall street, New York.

### McClave & Co.

The firm of Carpender & McClave has been dissolved, by mutual consent, as of close of business on Friday, December 31, 1915. The business will be continued under the firm name of McClave & Company, at 67 Exchange place, with Albert McClave, Hanson R. Duval, Henry de la B. Carpender and Clifford H. McCall as general partners and C. G. Clemons as special partner. Messrs. Duval and Carpender are members of the New York Stock Exchange.

# COTTON AND GRAIN

## Cotton and the Lever Bill

By C. T. REVERE

ALTHOUGH opinions regarding the course of cotton prices are as much at variance as ever, it is significant that the predictions of the bear element of the trade have not been substantiated. The offerings of "Christmas cotton" which frequently prove quite a weight upon the market, amounted to little or nothing and the indifference of holders about selling, except at their own figure, seems to have gotten on the nerves of spinners and exporters. As a result, prices have advanced half a cent or so from the low level reached on the slump which followed the publication of the Government estimate.

There has been no lack of bearish facts and figures. Certainly nothing could have been more convincing than the admission of the whole cotton trade that the exportation of cotton was attended by such difficulties and obstacles that clearances to date have been only about one-third of normal at this stage of the season. Exporters have had to contend with freight rates which imposed an almost intolerable burden upon shippers, amounting to $10 and $11 per bale. At present it costs $10 to ship a bale of cotton to Liverpool, whereas in normal times $1 to $1.25 would be paid. In addition to this high insurances rates, war risk charges and the loss in foreign exchange have to be considered. Taken altogether, it costs about $16.75 to ship cotton to Liverpool, and these charges do not include war risk, which, however, is frequently paid by the importer, although it is ultimately included in the price to the spinner.

When one takes into consideration the fact that the present supply of cotton, thereby meaning the total crop of this season and the excess carried over from 1914-15, amounts to probably 13,500,000 bales, and also puts into the balance the curtailed foreign demand due to the causes above mentioned, it seems rather remarkable that cotton should have advanced half a cent a pound in the last two weeks with prices for the general list well maintained above the 12-cent level. Evidently something has gone wrong with bearish calculations to permit a movement at variance with dogmatic assertions.

Thus far no indications are visible to explain the improvement in price. Superficially it may be assumed that the steady advance in Liverpool, which has carried the premium in that market to nearly 350 points over New York, has been chiefly responsible for the rise. Liverpool, however, has advanced merely in reflection of the increased cost of importing cotton from America. English importers have bought in their own market and sold in New York. Now Liverpool is at a point where the English importer can sell in his own market and make hedge sales against purchases of cotton in the South.

It would be much better, of course, if American shippers also could make hedge sales in Liverpool, for the British Government does not countenance the extensive use of funds by English cotton merchants at a time when pounds, shillings and pence are needed for the conduct of the war. Ordinarily English firms would be glad to import cotton if they could hedge in Liverpool at a premium which would insure them a profit. It takes a vast amount of money, however, to finance importations, and this is where the rub comes.

If American merchants could make hedge sales in Liverpool, which is the logical market in which to hedge, inasmuch as it is the market of destination and the highest market in the world, they would be only too glad to consign hundreds of thousands of bales to the

English market and await the time when English spinners get ready to take it off their hands.

Unfortunately this cannot be done owing to the prohibition against such operations contained in Section Eleven of the United Staes Cotton Futures Act, which imposes a drastic fine on all American operators undertaking such a transaction. Consequently the very law which was supposed to be the salvation of the Southern cotton industry is acting as a barrier to the free outlet of cotton and probably will keep the supply jammed up until holders are forced to throw overboard their accumulations when planting time comes around.

Probably if the authors of the bill could swallow their pride and confess that they made a mistake in judgment, although not of intention, in framing this section of the bill and should advocate its repeal with an emergency clause attached so that it could take effect at once, a radical change for the better would take place in the price of cotton. Immediately there would be an increased demand for hundreds of thousands of bales and the price would be affected accordingly.

The outlook for the new year under existing conditions is naturally uncertain. If the export outlets continue to be clogged and the South persists in planting a large acreage, much lower prices would be inevitable. Many operators believe that a large acreage is assured, for with prices above the 12-cent level there is very little incentive for curtailing the area to be planted to cotton. The advent of peace could nullify such bearish opinions, but it would take a bold man to predict the end of the war before the next cotton crop is gathered.

# Bullish Wheat Outlook for 1916

By P. S. KRECKER

THE wheat market enters the new year full of bullish promise. Among the known factors conducive to high prices may be enumerated:

The dismal failure of the Dardanelles campaign. Permanent sealing of that gateway removes all possibility of Russia's wheat finding an outlet.

The Teutonic successes in the Balkans with the consequent widening of the war area and waste of men and land which might have been devoted to agriculture.

Known reduction in the area of land planted to winter wheat in the United States, which today is the chief granary of the world.

Exorbitant freight rates for ocean transportation, because of her more favorable geographical position, give the United States advantage over competitive wheat surplus countries in the Southern hemisphere.

Besides these conditions which are real, not theoretical, there are certain probabilities which also favor the market. One of these is the German drive against the Suez Canal, which, if successful will close that short route to the Far East and increase both the hazards and the costs of shipping India's wheat to England.

Another probability which points to a continued era of high prices, is the likelihood that the war will run another year, which would mean further exhaustion of men and land and another season of lean crops on the Continent of Europe.

The ocean freight rate situation, taken in connection with the German menace against Egypt, is absorbing the attention of the wheat trade at the

moment. The situation is serious all over the world. In some instances this cost has increased by more than one third. While the North American continent is affected along with the rest of the world, its more favorable geographical position makes out of the high freight cost and scarcity of shipping, a bullish factor. Competing countries cannot ship as cheaply as the United States, for example, by as much, in some cases, as 10 cents a bushel. Take Argentine, for instance. It has a surplus wheat crop estimated variously at 110,000,000 to 125,000,000 bushels. But it costs approximately 10 cents a bushel more to lay down wheat from that country in European ports than from this country. Freights to Argentine have advanced sharply recently, and now indications are that exports from that country to the war zone during the next two months will be decidedly small.

Australia's surplus may be as large as 95,000,000 bushels this year, against practically nothing last season, but there again the freight situation becomes a factor to be reckoned with. India, with the Suez Canal closed as now appears likely, will be compelled to ship by way of Cape of Good Hope, which will vastly increase the hazards of transportation and practically double the cost, besides injecting the element of time; all militating in favor of the United States.

Meanwhile exports from the North American continent are going on in huge volume. This is particularly true of Canada. Official reports for November place the exports of wheat from the Dominion for that month at 43,119,727 bushels of wheat and 872,322 barrels of flour, equivalent to a grand total of 47,045,176 bushels of wheat. This brings the total for three months from the Dominion, up to 89,820,000 bushels, compared with only 31,117,000 bushels during the corresponding period of last year, a gain of virtually 200 per cent. Persistent French accumulation of wheat in the domestic markets is reported, while England is known to be continually adding to her purchases.

In the domestic field also, developments have favored the bull side of the market. We have, for example, the official Kansas crop report for December as authority for the statement that the yield of wheat in that state this year was only 95,700,000 bushels, compared with the state's own estimate last September of 99,000,000 bushels and the government's latest estimate of 107,000,000 bushels. This revision and scaling down of earlier figures tends to confirm the view now quite prevalent, that the U. S. Department of agriculture was liberal when it estimated production of the cereal this year at over a billion bushels. The unmillable quality of winter wheat this season continues to attract attention and to operate as a bullish influence. Some authorities estimate that 25 per cent. is unmillable in Oklahoma and Kansas. Proof that the condition has not been exaggerated is had in the insistent buying of Spring wheat in the Northwest for account of Southwestern millers who find the quality of grain in their own territory unsatisfactory. Spring wheat is coming upon the market rapidly, farmers finding the price sufficiently attractive since the recent rise. Grain is arriving at Northwestern primary markets in volume from 100 to 500 per cent. larger daily than at the corresponding time last season. The huge movement of Spring wheat has led to some high estimates of the percentage of that crop which already has entered into consumption. It is figured that close to 200,000,000 bu. have passed out of first hands.

Technically the market appears to have benefited by December liquidation and to be in a position to score further advances. The largest operators are understood to favor the long side and to be heavily committed to it. It is interesting to recall that wheat closed the year 1915 at approximately the same level as the previous year. January, 1915, was a month of advancing prices, the market rising from the $1.26 level for May to $1.50 before the end of the month.